Financial Section

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A MESSAGE FROM THE CHIEF FINANCIAL OFFICER

I am pleased to join Acting Commissioner Kijakazi in presenting our fiscal year (FY) 2022 *Agency Financial Report* (AFR). This report highlights our accomplishments throughout FY 2022 in ensuring equity and accessibility in delivering Social Security services by improving the customer experience and addressing systemic barriers to participation in our programs and demonstrates our commitment to accountability and transparency.

For the 29th consecutive year, we received an unmodified audit opinion on our financial statements from our independent auditors. An unmodified audit opinion confirms that our statements present fairly our financial position and are free of material misstatement. Our independent auditors also issued an unmodified opinion on the effectiveness of our internal control over financial reporting. They determined that we had no material weaknesses yet continued to cite three significant deficiencies identified in prior years. The significant deficiencies concern internal control over certain financial information systems controls, information systems risk management, and internal control over accounts receivable with the public (benefit overpayments).

We resolve the deficiencies identified by audits through risk-based corrective action plans to mitigate risks and strengthen our control environment. We focus on increasing cross-component collaboration by involving subject matter experts and leaders across the agency. Our independent auditors noted areas of progress we made in remediating elements of these significant deficiencies. However, we continue to face challenges, such as the ever-changing cybersecurity landscape in which we operate and the allocation of limited resources. Many elements of our remediation plans will take time to implement. Nonetheless, we remain committed to continuous improvement. We provide additional information on the auditors' findings and our corrective actions in the *Analysis of Systems, Controls, and Legal Compliance* and *Report of Independent Certified Public Accountants* sections of this report.

For the 24th consecutive year, we received a Certificate of Excellence in Accountability Reporting from the Association of Government Accountants for our FY 2021 AFR. Continuing this streak of financial management excellence is an unprecedented accomplishment in the Federal government and demonstrates our focus on being responsible stewards of the funds entrusted to us by the American public.

As good stewards, we continue to look for ways to do business better, by addressing the root causes of improper payments, improving payment accuracy, bolstering full and open competition in the acquisition and grants process, and applying sound management principles to our everyday work.

Our accomplishments this fiscal year would not have been possible without our dedicated and hardworking employees. They are essential to providing outstanding service to the public and the continued success of our financial management program. For additional information on how the Office of the Chief Financial Officer contributed to accomplishing our mission, please refer to the *Financial Management Initiatives Advancing Our Mission* section beginning on the following page.

Respectfully,

Michelle A. King

Michelle A. King

Baltimore, Maryland
November 10, 2022

Financial Management Initiatives Advancing Our Mission

Our Chief Financial Officer also serves as the Performance Improvement Officer. This dual role provides oversight to the full life cycle of agency initiatives and goals – from the development of the *Agency Strategic Plan,* which drives budget decisions and annual performance plans, to the financial management of resources and performance reporting. The mission of the Office of the Chief Financial Officer (OCFO) is financial management excellence. The following are key financial management initiatives that advance this mission and the agency's mission, Strategic Goals, and Objectives:

Debt Management

- **Remittance Modernization to Improve Service Delivery**: OCFO is leading our remittance modernization efforts. Historically, our remittance process was a largely manual paper workload handled by our Mid-Atlantic Program Service Center (MATPSC). The MATPSC remittance process requires a method of payment (check, money order, or debit or credit card) and a corresponding payment coupon necessary to update a debtor's record. In fiscal year (FY) 2021, as part of the Debt Management Product, we implemented several improvements to our remittance process.
    - **Pay.gov**: In January 2021, we partnered with the Department of the Treasury's (Treasury) Pay.gov team to implement our first online repayment option for Old-Age, Survivors, and Disability Insurance beneficiaries and Supplemental Security Income (SSI) recipients to repay benefit overpayments via credit or debit card and an automated clearing house (ACH) (i.e., a checking or savings account). In FY 2022, we processed 456,000 remittances and collected $92 million through Pay.gov.
    - **Lockbox Service**: Also, in January 2021, we partnered with Treasury to use U.S. Bank, a financial agent for Treasury, to implement a lockbox service to assist with our paper remittance processing efforts. In February 2021, we began routing paper remittances to the lockbox for processing, which relieved our Remittance Accounting Unit, and allowed them to focus on other workloads. In FY 2022, we processed 264,000 remittances and collected $69 million through the lockbox service.
    - **Online Bill Pay**: In July 2021, we implemented Online Bill Pay (OLBP), allowing overpaid individuals to make a one-time or recurring ACH draft from a bank account using a personal computer or mobile phone. Prior to this implementation, OLBP remittances defaulted to paper checks. In FY 2022, we processed 18,000 remittances and collected $2.5 million through OLBP.

  These new remittance channels, combined with our previously implemented Social Security Electronic Remittance System, now process over 60 percent of our remittances.

Public Service

- **Office Reentry and Keeping Employees and the Public Safe**: Our highest priority has been to provide mission-critical service while safeguarding the health of the public and our employees. At the beginning of FY 2022, we were conducting most workloads through online, telephone, and video services, with limited in-office service for critical situations. Last April, we expanded in-person services and prepared for pent-up demand that grew during the pandemic Throughout FY 2022, OCFO partnered with the General Services Administration (GSA) and our operational components to provide agency-wide leadership, guidance, and support on Coronavirus Disease 2019 issues related to reentry to the workplace, including the acquisition of KN95 masks for employees, the installation of permanent and temporary barriers to protect the public and our employees, and the purchase of air purifiers to improve ventilation in public and employee spaces. Our guidance aligned with the Centers for Disease Control and Prevention (CDC) guidance to ensure we provide a safe and healthy work environment for our employees and the public. We also assisted in the procurement, design, production, and distribution of approximately 8,000 reentry signage products to the field, including window posters, A-frame signs, and over 31.7 million educational materials, including fact sheets and business cards. These signage products align with CDC guidance, educate the public on available online services, and keep essential in-person operations functioning smoothly. As necessary in support of reentry, we continue to promptly issue micro-purchase policy to agency purchase cardholders through our acquisition alert method.

EFFICIENCY

- **COMPASSIONATE AND RESPONSIVE SERVICE PLAN**: In FY 2022, as a result of our Compassionate And REsponsive Service plan, we reduced the hearings backlog to the lowest level in over 20 years. In FY 2022, we received $55 million in dedicated funding to reduce the hearings backlog. Over the last six years, Congress has provided $495 million in special funding dedicated to address the hearings backlog. From budget planning, execution, and reporting, to providing ongoing medical and vocational contractual support for hearings cases, OCFO remains engaged to improve the hearings process.
- **NON-PUBLIC FACING FACILITIES**: OCFO continues to identify opportunities to improve the use of space at our non-public facing facilities, while simultaneously reducing costs. In FY 2022, we continued to move employees from our Security West (SW) building onto our Headquarters campus in order to vacate the SW building at the end of FY 2023 – one year ahead of schedule. Once complete, this project will yield $17 million in annual lease cost savings. Additionally, we collaborated with GSA and our regional staff to return space at the Columbia Center in Seattle, Washington, resulting in $900,000 in annual rent savings. We continue to work with GSA and our regional staff to evaluate our space needs.
- **ROBOTIC PROCESS AUTOMATION**: Over the last few years, OCFO has implemented several robotic process automations (RPA) that have resulted in significant time savings. In FY 2020, OCFO implemented an RPA that allowed for the automated posting of returned SSI payments, made after death, to the SSI Record. In FY 2022, this RPA automatically posted over 39,000 transactions, averaging 3 seconds per transaction, versus the 3 minutes per transaction required in the previous manual process. OCFO also added an RPA that verifies the automated posting of returned SSI payments, made after death, to the SSI Record. Under the manual verification process, we processed an average of 20,000 returned payments annually, spending approximately 5 minutes per transaction. In FY 2022, the RPA processed over 35,000 verifications, averaging about 20 seconds per transaction.

  In addition, OCFO implemented another RPA effort in FY 2022 to automate data entry for accounting entries into our agency's accounting system based on approved journal vouchers. Journal vouchers are used to record 500 accounting transactions that are necessary for financial reporting. We have to create each journal voucher for review and approval and then key it into the accounting system. To reduce the duplicative data entry of the journal voucher review and approval form and subsequent keying in the accounting system, OCFO created an RPA to load the approved data into the accounting system. We implemented this RPA in April 2022, which resulted in RPA automatically processing over 1,100 journal vouchers, or around 4,500 unique accounting entries. The RPA saves a little over one minute and thirty seconds; therefore, the overall time savings as a result of the RPA was roughly 113 hours for half a year's worth of transactions. Next year, we expect to double this time savings as the process runs for the full year. With this time savings, OCFO has seen much more detailed transactions being created on the front end of the journal voucher process as the accountants have more time on the front end to do research and analysis because they do not have to key transactions twice. This has also sped up our monthly financial reporting timeline.

- **Climate Change**: In support of the Administration's goal to combat the climate crisis, OCFO developed the Climate Action Plan (CAP) Progress Report, published in August 2022. Our CAP Progress Report documents the agency's progress on our planned efforts and initiatives to address climate change. Specifically, our CAP Progress Report provides an update on developments from our initial 2021 CAP, which encourages employees and contractors to reduce energy consumption, water usage, and the amount of waste produced. We also have an internal working group consisting of key stakeholders working to meet the clean and zero-emission vehicles mandate in Executive Order 14008, *Tackling the Climate Crisis at Home and Abroad*, and continue improving our understanding of climate change risks through interagency initiatives and the National Climate Task Force.
- **Central Print**: The OCFO is leading the agency's Central Print of Notices (CPN) initiative, an agency priority that decreases notices printed and mailed by front-line employees in our offices nationwide. CPN is a multi-year effort that supports the agency's future business delivery model and improves our stewardship of taxpayer funds. Specifically, CPN decreases front-line employee task time spent on handling notices, enabling these employees to focus on other mission critical services that support the public. In FY 2022, we moved two major notice workloads to CPN, resulting in approximately 8 million notices moved to a Government Publishing Office print vendor annually and yielding an annual estimated savings of $13 million that the agency can reinvest towards other agency priorities that support our front lines.

Internal Controls

- **Enterprise Risk Management**: During FY 2022, OCFO continued to mature our Enterprise Risk Management program in accordance with OMB Circular No. A-123, *Management's Responsibility for Enterprise Risk Management and Internal Control*. We have implemented a multi-year strategy that will further integrate our existing internal control and risk management frameworks with our strategic planning and review processes. Additionally, we are having more robust risk discussions at all levels of the organization, including roundtable discussions at the executive and staff levels. We have improved documentation surrounding risk discussions and have identified gaps within our risk hierarchy that we are working to correct.

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Financial Statements and Additional Information

Our financial statements and additional information for fiscal years (FY) 2022 and 2021 consist of the following:

- The **Consolidated Balance Sheets** present, as of September 30, 2022 and 2021, amounts of economic benefits we owned or managed (assets), amounts we owed (liabilities), and residual amounts we retained, comprising the difference (net position). We provide a Balance Sheet by major program as additional information.
- The **Consolidated Statements of Net Cost** present the net cost of operations for the years ended September 30, 2022 and 2021. Our net cost of operations includes the gross costs incurred less any exchange revenue earned from activities presented by our major programs. By disclosing the gross cost and net cost of the entity's programs, the Consolidated Statements of Net Cost provide information that can be related to the outputs and outcomes of programs and activities. We provide a Schedule of Net Cost to show the components of net cost activity as additional information.
- The **Consolidated Statements of Changes in Net Position** present the change in net position for the years ended September 30, 2022 and 2021. Changes to the two components of net position, Unexpended Appropriations and Cumulative Results of Operations, affect its balance. The Statement format is designed to display both components of net position separately to enable the user to better understand the nature of changes to net position as a whole. We provide a Schedule of Changes in Net Position to present the change in net position by major program as additional information.
- The **Combined Statements of Budgetary Resources** present the budgetary resources available to us, the status of these resources, and the outlay of budgetary resources for the years ended September 30, 2022 and 2021. We provide an additional Schedule of Budgetary Resources as Required Supplementary Information to present budgetary resources by major program.
- The **Statements of Social Insurance** present the present value for the 75-year projection period of the estimated Old-Age and Survivors Insurance (OASI) and Disability Insurance (DI) future noninterest income and cost expected to arise from the formulas specified in current law for current and future program participants. We present the difference between these values on both an open group and a closed group basis, both including and excluding the value of the combined OASI and DI Trust Fund reserves at the beginning of the period. We present this information for the current year and for each of the four preceding years.
- The **Statements of Changes in Social Insurance Amounts** reconcile the changes, from one 75-year valuation period to the next, in the present value for the 75-year projection period of the estimated OASI and DI future noninterest income less estimated future cost for current and future participants (the open group measure). The Statements show two reconciliations: (1) change from the period beginning on January 1, 2021 to the period beginning on January 1, 2022; and (2) change from the period beginning on January 1, 2020 to the period beginning on January 1, 2021. The Statements identify several categories of changes and provide reasons for significant changes in the accompanying notes.
- The **Required Supplementary Information: Social Insurance** presents required long-range cash flow projections, the long-range projections of the ratio of contributors to beneficiaries, and the sensitivity analysis illustrating the effect of the changes in the most significant assumptions on the actuarial projections and present values for the 75-year projection period of the OASI and DI programs. The financial and actuarial disclosures include a narrative describing the program. This narrative includes a description of program financing, details about how benefits are calculated, and an analysis of relevant trends.

CONSOLIDATED BALANCE SHEETS AS OF SEPTEMBER 30, 2022 AND 2021
(DOLLARS IN MILLIONS)

	2022	2021
Assets		
Intragovernmental:		
Fund Balance with Treasury (Notes 3 and 4)	**$ 7,944**	$ 8,211
Investments (Note 5)	**2,854,202**	2,870,625
Accounts Receivable, Net (Note 6)	**1,226**	1,365
Advances and Prepayments (Note 8)	**119**	108
Total Intragovernmental	**2,863,491**	2,880,309
With the Public		
Accounts Receivable, Net (Notes 3 and 6)	**8,682**	8,636
General Property, Plant, and Equipment, Net (Note 7)	**4,830**	4,372
Total with the Public	**13,512**	13,008
Total Assets	**$ 2,877,003**	$ 2,893,317
Liabilities (Note 9)		
Intragovernmental:		
Accounts Payable	**$ 5,486**	$ 5,314
Advances from Others and Deferred Revenue	**0**	1
Other Liabilities	**4,073**	3,812
Total Intragovernmental	**9,559**	9,127
With the Public		
Accounts Payable	**267**	305
Federal Employee and Veteran Benefits Payable	**675**	715
Benefits Due and Payable	**126,202**	110,850
Advances from Others and Deferred Revenue	**13**	203
Other Liabilities	**124**	326
Total with the Public	**127,281**	112,399
Total Liabilities	**$ 136,840**	$ 121,526
Commitments and Contingencies (Note 9)		
Net Position		
Unexpended Appropriations - Funds from other than Dedicated Collections	**$ 4,862**	$ 4,889
Cumulative Results of Operations - Funds from Dedicated Collections (Note 10)	**2,729,650**	2,761,448
Cumulative Results of Operations - Funds from other than Dedicated Collections	**5,651**	5,454
Total Cumulative Results of Operations	**2,735,301**	2,766,902
Total Net Position	**$ 2,740,163**	$ 2,771,791
Total Liabilities and Net Position	**$ 2,877,003**	$ 2,893,317

The accompanying notes are an integral part of these financial statements.

Consolidated Statements of Net Cost for the Years Ended September 30, 2022 and 2021
(Dollars in Millions)

		2022		2021
OASI Program				
Benefit Payment Expense	**$**	**1,075,126**	$	986,398
Operating Expenses (Note 11)		**4,209**		3,958
Total Cost of OASI Program		**1,079,335**		990,356
Less: Exchange Revenues (Note 12)		**(16)**		(20)
Net Cost of OASI Program	**$**	**1,079,319**	$	990,336
DI Program				
Benefit Payment Expense	**$**	**146,259**	$	139,818
Operating Expenses (Note 11)		**2,923**		2,846
Total Cost of DI Program		**149,182**		142,664
Less: Exchange Revenues (Note 12)		**(31)**		(34)
Net Cost of DI Program	**$**	**149,151**	$	142,630
SSI Program				
Benefit Payment Expense	**$**	**58,581**	$	53,918
Operating Expenses (Note 11)		**4,758**		4,704
Total Cost of SSI Program		**63,339**		58,622
Less: Exchange Revenues (Note 12)		**(261)**		(243)
Net Cost of SSI Program	**$**	**63,078**	$	58,379
Other				
Benefit Payment Expense	**$**	**0**	$	1
Operating Expenses (Note 11)		**2,911**		2,841
Total Cost of Other Program		**2,911**		2,842
Less: Exchange Revenues (Note 12)		**(12)**		(15)
Net Cost of Other Program	**$**	**2,899**	$	2,827
Total Net Cost				
Benefit Payment Expense	**$**	**1,279,966**	$	1,180,135
Operating Expenses (Note 11)		**14,801**		14,349
Total Cost		**1,294,767**		1,194,484
Less: Exchange Revenues (Note 12)		**(320)**		(312)
Total Net Cost	**$**	**1,294,447**	$	1,194,172

The accompanying notes are an integral part of these financial statements.

Consolidated Statements of Changes in Net Position for the Years Ended September 30, 2022 and 2021
(Dollars in Millions)

	2022			2021		
	Funds from Dedicated Collections	Funds from other than Dedicated Collections	Total	Funds from Dedicated Collections	Funds from other than Dedicated Collections	Total
Unexpended Appropriations:						
Beginning Balances	$ 0	$ 4,889	$ 4,889	$ 0	$ 5,048	$ 5,048
Appropriations Received	48,502	65,580	114,082	34,801	60,145	94,946
Other Adjustments	0	(11)	(11)	0	(8)	(8)
Appropriations Used	(48,502)	(65,596)	(114,098)	(34,801)	(60,296)	(95,097)
Net Change in Unexpended Appropriations	0	(27)	(27)	0	(159)	(159)
Total Unexpended Appropriations - Ending	0	4,862	4,862	0	4,889	4,889
Cumulative Results of Operations:						
Beginning Balances	$ 2,761,448	$ 5,454	$ 2,766,902	$ 2,819,572	$ 4,953	$ 2,824,525
Appropriations Used	48,502	65,596	114,098	34,801	60,296	95,097
Non-Exchange Revenue						
Tax Revenues (Note 13)	1,086,858	0	1,086,858	972,319	0	972,319
Interest Revenues	66,853	0	66,853	71,650	0	71,650
Other	1	0	1	7	0	7
Total Non-Exchange Revenue	1,153,712	0	1,153,712	1,043,976	0	1,043,976
Transfers-In/Out - Without Reimbursement	(11,857)	8,969	(2,888)	(10,014)	8,656	(1,358)
Imputed Financing Sources (Note 14)	0	609	609	0	595	595
Other	0	(2,685)	(2,685)	0	(1,761)	(1,761)
Net Cost of Operations	1,222,155	72,292	1,294,447	1,126,887	67,285	1,194,172
Net Change in Cumulative Results of Operations	(31,798)	197	(31,601)	(58,124)	501	(57,623)
Cumulative Results of Operations - Ending	$ 2,729,650	$ 5,651	$ 2,735,301	$ 2,761,448	$ 5,454	$ 2,766,902
Net Position	$ 2,729,650	$ 10,513	$ 2,740,163	$ 2,761,448	$ 10,343	$ 2,771,791

The accompanying notes are an integral part of these financial statements.

COMBINED STATEMENTS OF BUDGETARY RESOURCES FOR THE YEARS ENDED SEPTEMBER 30, 2022 AND 2021
(DOLLARS IN MILLIONS)

	2022	2021
Budgetary Resources (Note 15)		
Unobligated Balance From Prior Year Budget Authority, Net	**$ 6,420**	$ 6,556
Appropriations (Discretionary and Mandatory)	**1,347,799**	1,232,394
Spending Authority from Offsetting Collections (Discretionary and Mandatory)	**16,313**	15,536
Total Budgetary Resources	**$ 1,370,532**	$ 1,254,486
Status of Budgetary Resources		
New obligations and upward adjustments		
Direct	**$ 1,361,894**	$ 1,246,124
Reimbursable	**3,093**	2,529
New obligations and upward adjustments (total)	**1,364,987**	1,248,653
Unobligated Balance, End of Year		
Apportioned, unexpired accounts	**4,986**	5,368
Unapportioned, unexpired accounts	**133**	27
Unexpired unobligated balance, end of year	**5,119**	5,395
Expired unobligated balance, end of year	**426**	438
Unobligated balance, end of year (total)	**5,545**	5,833
Total Budgetary Resources	**$ 1,370,532**	$ 1,254,486
Outlays, Net		
Outlays, Net (Discretionary and Mandatory)	**$ 1,333,079**	$ 1,229,745
Distributed Offsetting Receipts	**(51,024)**	(37,293)
Agency Outlays, Net (Discretionary and Mandatory)	**$ 1,282,055**	$ 1,192,452

The accompanying notes are an integral part of these financial statements.

Statements of Social Insurance
Old-Age, Survivors, and Disability Insurance
as of January 1, 2022
(Dollars in Billions)

	2022	2021	2020	2019	2018
		Estimates Reported in Prior Years			
Present value for the 75-year projection period from or on behalf of: (Note 17)					
Participants who, in the starting year of the projection period, have attained eligibility age (age 62 and over):					
Noninterest income	**$ 1,998**	$ 1,766	$ 1,720	$ 1,552	$ 1,451
Cost for scheduled future benefits	**21,591**	19,785	18,269	16,895	15,862
Future noninterest income less future cost	**(19,593)**	(18,019)	(16,549)	(15,344)	(14,411)
Participants who have not yet attained retirement eligibility age (ages 15–61):					
Noninterest income	**40,365**	37,465	35,215	33,602	31,849
Cost for scheduled future benefits	**68,471**	64,932	59,784	55,826	52,248
Future noninterest income less future cost	**(28,105)**	(27,467)	(24,569)	(22,224)	(20,399)
Present value of future noninterest income less future cost for current participants (closed group measure)	**(47,699)**	(45,486)	(41,118)	(37,568)	(34,810)
Combined OASI and DI Trust Fund reserves at start of period	**2,852**	2,908	2,897	2,895	2,892
Closed group - Present value of future noninterest income less future cost for current participants *plus* combined OASI and DI Trust Fund reserves at start of period	**$ (44,847)**	$ (42,578)	$ (38,220)	$ (34,673)	$ (31,918)
Present value for the 75-year projection period from or on behalf of: (Note 17)					
Future participants (those under age 15, and to be born during period):					
Noninterest income	**$ 41,808**	$ 39,349	$ 36,964	$ 35,311	$ 31,788
Cost for scheduled future benefits	**17,411**	16,604	15,542	14,508	13,035
Future noninterest income less future cost	**24,397**	22,745	21,421	20,804	18,753
Present value of future noninterest income less future cost for current and future participants (open group` measure)	**(23,301)**	(22,742)	(19,696)	(16,764)	(16,057)
Combined OASI and DI Trust Fund reserves at start of period	**2,852**	2,908	2,897	2,895	2,892
Open group - Present value of future noninterest income less future cost for current and future participants *plus* combined OASI and DI Trust Fund reserves at start of period	**$ (20,449)**	$ (19,833)	$ (16,799)	$ (13,869)	$ (13,166)

Notes:

Components may not sum to totals because of rounding. The accompanying notes are an integral part of these financial statements.

Present values used in this presentation are based on the full amounts of estimated noninterest income and the cost of providing benefits at the levels scheduled under current law, even after the OASI and DI Trust Fund reserves are depleted.

Future noninterest income and future cost are estimated over the appropriate 75-year period.

STATEMENTS OF CHANGES IN SOCIAL INSURANCE AMOUNTS
OLD-AGE, SURVIVORS, AND DISABILITY INSURANCE
FOR CHANGE FROM THE 75-YEAR VALUATION PERIOD

January 1, 2021 to January 1, 2022
(Dollars in Billions)

	Present value of future noninterest income less future cost for current and future participants (open group measure) over the next 75 years	Combined OASI and DI Trust Fund reserves	Present value of future noninterest income less future cost for current and future participants *plus* combined OASI and DI Trust Fund reserves at start of period
As of January 1, 2021	$ (22,742)	$ 2,908	$ (19,833)
Reasons for changes between January 1, 2021 and January 1, 2022 (Note 17)			
Change in the valuation period	(676)	(77)	(753)
Changes in demographic data, assumptions, and methods	(335)	0	(335)
Changes in economic data, assumptions, and methods	(190)	0	(190)
Changes in programmatic data and methods	641	21	663
Changes in law or policy	0	0	0
Net change between January 1, 2021 and January 1, 2022	$ (560)	$ (56)	$ (616)
As of January 1, 2022	**$ (23,301)**	**$ 2,852**	**$ (20,449)**

January 1, 2020 to January 1, 2021
(Dollars in Billions)

	Present value of future noninterest income less future cost for current and future participants (open group measure) over the next 75 years	Combined OASI and DI Trust Fund reserves	Present value of future noninterest income less future cost for current and future participants *plus* combined OASI and DI Trust Fund reserves at start of period
As of January 1, 2020	$ (19,696)	$ 2,897	$ (16,799)
Reasons for changes between January 1, 2020 and January 1, 2021 (Note 17)			
Change in the valuation period	(713)	4	(709)
Changes in demographic data, assumptions, and methods	154	0	154
Changes in economic data, assumptions, and methods	(1,228)	0	(1,228)
Changes in programmatic data and methods	(1,182)	7	(1,176)
Changes in law or policy	(76)	0	(76)
Net change between January 1, 2020 and January 1, 2021	$ (3,045)	$ 11	$ (3,035)
As of January 1, 2021	**$ (22,742)**	**$ 2,908**	**$ (19,833)**

Notes:

Components may not sum to totals because of rounding. The accompanying notes are an integral part of these financial statements.

Present values used in this presentation are based on the full amounts of estimated noninterest income and the cost of providing benefits at the levels scheduled under current law, even after the OASI and DI Trust Fund reserves are depleted.

Future noninterest income and future cost are estimated over the appropriate 75-year period.

We provide high-level descriptions of the reason for the change in present value from year to year in Note 17, Social Insurance Disclosures.

Notes to the Basic Financial Statements For the Years Ended September 30, 2022 and 2021

1. Summary of Significant Accounting Policies

Reporting Entity

The Social Security Administration (SSA), as an independent agency in the executive branch of the United States (U.S.) Government, is responsible for administering the Nation's Old-Age and Survivors and Disability Insurance (OASDI) programs and the Supplemental Security Income (SSI) program. SSA is considered a separate reporting entity for financial reporting purposes. Our financial statements have been prepared to report the financial position, net cost, changes in net position, budgetary resources, the present value for the 75-year projection period for social insurance, and the changes in the present value between the current valuation period and prior valuation period, as required by the Office of Management and Budget (OMB) in OMB Circular No. A-136, *Financial Reporting Requirements*.

The consolidated and combined financial statements include the accounts of all funds under SSA control, consisting primarily of the OASI and DI Trust Funds, SSA's Limitation on Administrative Expenses (LAE), four general fund appropriations, three receipt accounts, and one special fund. The OASI and DI Trust Funds consist of earmarked receipts used to fund benefit payment and other related expenditures. General fund appropriations represent activities that receive appropriation authority from the Department of the Treasury's (Treasury) General Fund based on law. SSA's receipt accounts contain funds from collections that are not identified by law for another account for a specific purpose; whereas special fund accounts contain funds collected that are identified by law for a specific purpose.

LAE is a mechanism to fund our administrative operations and is considered a subset of the OASI and DI Trust Funds. The four general funds are the Payments to Social Security Trust Funds (PTF), SSI Program, Office of the Inspector General (OIG), and Special Veterans Benefits (Title VIII) Program. The three receipt accounts are SSI Overpayment Collections, the General Fund's portion of the SSI State Supplementation fees, and SSI Attorney fees. The one special fund is SSA's portion of the SSI State Supplementation fees. SSA's financial statements also include OASI and DI investment activities performed by Treasury.

SSA's financial activity has been classified and reported by the following program areas: OASI, DI, SSI, LAE, and Other. Other consists primarily of PTF appropriations activity, but also contains SSI Overpayment Collections and other non-material activities.

Accounting Principles

The financial statements have been prepared from the accounting records of SSA on an accrual basis, in conformity with generally accepted accounting principles (GAAP) of the United States of America for Federal entities and the form and content for entity financial statements specified by OMB in Circular No. A-136. The Combined Statements of Budgetary Resources and related disclosures provide information about how budgetary resources were made available as well as the status at the end of the period. It is the only Statement predominately derived from an entity's budgetary general ledger in accordance with budgetary accounting rules, which are incorporated into GAAP for the Federal Government. GAAP for Federal entities are the standards prescribed by the Federal Accounting Standards Advisory Board (FASAB). The preparation of financial statements, in conformity with GAAP, requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent liabilities at the dates of the financial statements and the reported amounts of revenues and expenses during the reporting periods. Actual results could differ from those estimates. Accounting standards require all reporting entities to disclose that accounting standards allow certain presentations and disclosures to be modified, if needed, to prevent the disclosure of classified information.

FUND BALANCE WITH TREASURY

SSA's Fund Balance with Treasury, shown on the Consolidated Balance Sheets, is the aggregate amount of funds in SSA's accounts with Treasury for which SSA is authorized to make expenditures and pay liabilities. Refer to Note 3, Non-Entity Assets, and Note 4, Fund Balance with Treasury.

INVESTMENTS

Daily deposits received by the OASI and DI Trust Funds that are not required to meet current expenditures are invested in interest-bearing obligations of the U.S. Government. The OASI and DI Trust Fund balances may be invested only in interest-bearing obligations of the U.S. or in obligations guaranteed as to both principal and interest by the U.S. as provided by Section 201 (d) of the *Social Security Act*. These investments consist of Treasury special-issue securities. Special-issue securities are special public debt obligations for purchase exclusively by the OASI and DI Trust Funds; therefore, they are non-marketable securities. They are purchased and redeemed at face value, which is the same as their carrying value on the Consolidated Balance Sheets. Refer to Note 5, Investments and Interest Receivable.

ACCOUNTS RECEIVABLE, NET

SSA accounts receivable represent unpaid amounts due to the agency. Intragovernmental Accounts Receivable, Net primarily represents amounts to be paid from the Hospital Insurance (HI) and Supplemental Medical Insurance (SMI) Trust Funds to the LAE Appropriation. Accounts Receivable, Net With the Public consists mainly of monies due to SSA from OASI, DI, and SSI beneficiaries who received benefits in excess of their entitlement, as well as amounts due from the States to cover underpayments due to the SSI recipients. Intragovernmental Accounts Receivable, Net includes amounts related to Section 4003 of the *Coronavirus Aid, Relief, and Economic Security Act* (CARES Act), Emergency Relief and Taxpayer Protection, which allows Treasury to make loans, loan guarantees, and other investments of up to $500 billion to eligible businesses, States, and municipalities impacted by the Coronavirus Disease 2019 (COVID-19) pandemic. This legislation designates the OASI Trust Fund as the recipient of any interest and other proceeds associated with the loans, loan guarantees, and other investments after repayments of any amounts provided are made to Treasury.

SSA has an automated process to evaluate programmatic debt and write-off certain delinquent debts deemed uncollectible. While this debt is being written-off, it remains available for future collection, which we can pursue if the debtor becomes entitled to OASDI or SSI benefits. At that point, we would re-establish the accounts receivable, and pursue collections. In addition, if eligible, we will refer these delinquent debts to the Treasury Offset Program for external collection action. We did not refer any delinquent debts to the Treasury Offset Program during FY 2022.

SSA does not apply an allowance for doubtful accounts to determine the net value of Intragovernmental Accounts Receivable. According to FASAB's Statement of Federal Financial Accounting Standards (SFFAS) No. 1, *Accounting for Selected Assets and Liabilities*, an allowance for estimated uncollectible amounts should be recognized to reduce the gross amount of receivables to its net realizable value; however, no potential losses have been assessed on intragovernmental receivables based on individual account and program analysis. For programmatic accounts receivable with the public, SSA allows for all delinquent debt two years and older. SSA annually recalculates a ratio of allowance for doubtful accounts and applies the allowance ratios against any remaining debt that is not delinquent two years or more. This is calculated by applying a moving five-year average of uncollectible receivable ratios and by comparing each program's collections to new debt while considering turnover rates against outstanding receivables. Our total allowance for doubtful accounts includes the age-specific delinquent debt two years and older plus the uncollectible portion of our remaining accounts receivable, not delinquent two years or more, based on the allowance rates. Refer to Note 6, Accounts Receivable, Net.

General Property, Plant, and Equipment

SSA records property, plant, and equipment (PP&E) in the LAE program, but the PP&E represents the capital assets purchased by its funding sources. SFFAS No. 10, *Accounting for Internal Use Software*, requires the capitalization of internally developed, contractor-developed, and commercial off-the-shelf software. SSA classifies PP&E into several categories. The capitalization threshold for most PP&E categories is $100 thousand. Deferred Charges, which include fixtures and telephone replacement/upgrade projects, are capitalized with no threshold and $100 thousand, respectively. Site preparation for Automated Data Processing (ADP) and Telecommunications, Buildings and Other Structures, Internal Use Software, excluding commercial off-the-shelf software, and certain leasehold improvements for Federal leased buildings purchased by the Trust Funds are capitalized with no threshold. Refer to Note 7, General Property, Plant, and Equipment, Net.

Benefits Due and Payable

SSA accrues liabilities for OASI and DI benefits due for the current month, which by statute, are not paid until the following month. In addition, SSA accrues liabilities on benefits for past periods that have not completed processing by the close of the period, such as adjudicated and unadjudicated hearings and appeals and civil litigation cases. Refer to Note 9, Liabilities.

Benefit Payments

SSA recognizes the cost associated with payments in the period the beneficiary or recipient is entitled to receive the payment. OASI and DI benefit disbursements are generally made after the end of each month. SSI disbursements are generally made on the first day of each month. By law, if the monthly disbursement date falls on a weekend or a Federally recognized holiday, SSA is required to make the payment on the preceding business day. In these situations, the beneficiary or recipient is deemed entitled to receive the payment as of the payment date, as they have met all payment and eligibility requirements.

Administrative Expenses and Obligations

SSA administrative expenses are incurred in the LAE appropriation. Section 201 (g) of the *Social Security Act* requires the Commissioner of Social Security to determine the proper share of costs incurred during the fiscal year to be charged to the appropriate fund. Accordingly, SSA subsequently allocates administrative expenses during each month to the appropriate OASI, DI, HI, and SMI Trust Fund and general fund accounts on the Statements of Net Cost based on percentages developed by SSA's Cost Analysis System (CAS). CAS uses agency workload data to develop annual percentages that are used to allocate the expenses. SSA initially makes all such distributions on an estimated basis and adjusts to actual each year, as provided for in Section 1534 of Title 31, United States Code (U.S.C.).

SSA incurs obligations in the LAE accounts as activity is processed. SSA incurs obligations in each of the financing sources once it records LAE's authority. The Centers for Medicare and Medicaid Services reports obligations that SSA incurred in the HI and SMI Trust Funds. Because SSA reports LAE with our financing sources (other than the HI/SMI Trust Funds) on the Combined Statements of Budgetary Resources and this Statement does not allow eliminations, it records LAE's obligations twice. This presentation is in conformance with OMB Circular No. A-136 to have the Combined Statements of Budgetary Resources in agreement with the required Budget Execution Reports (SF-133).

Recognition of Financing Sources

Tax revenue, which consists of funds transferred from the Treasury to the OASI and DI Trust Funds for employment taxes (*Federal Insurance Contributions Act* (FICA) and *Self-Employment Contributions Act* (SECA)), represents SSA's largest financing source. Additional financing sources consist of interest revenue from the OASI and DI Trust Fund investments, taxation on benefits, drawdown of funds for benefit entitlement payments and administrative expenses, appropriations, gifts, and other miscellaneous receipts. On an as-needed basis, funds are drawn from the OASI and DI Trust Funds to cover benefit payments. As governed by limitations determined annually by the U.S. Congress, funds are also drawn from the OASI and DI Trust Funds for SSA's operating expenses. To cover SSA's costs to administer a portion of the Medicare program, funds are drawn from the HI/SMI Trust Funds.

Appropriations Used includes payments and accruals for the activities that are funded from Treasury's General Fund.

Employment tax revenues are made available daily based on a quarterly estimate of the amount of FICA taxes payable by employers and SECA taxes payable from the self-employed. Adjustments are made to the estimates for actual taxes payable and refunds made. Employment tax credits (the difference between the combined employee and employer rate and the self-employed rate) are also included in tax revenues. Refer to Note 13, Tax Revenues.

Exchange revenue from sales of goods and services primarily include payments of fees SSA receives from those States choosing to have SSA administer their State Supplementation of Federal SSI benefits. Refer to Note 12, Exchange Revenues. SSA may use exchange revenue financing sources to pay for current operating expenses as specified by law.

Funds from Dedicated Collections

SFFAS No. 43, *Funds from Dedicated Collections*, requires separate presentation and disclosure of funds from dedicated collections balances in the financial statements. Generally, funds from dedicated collections are financed by specifically identified revenues, provided to the Government by non-Federal sources, often supplemented by other financing sources, which remain available over time. Funds from dedicated collections must meet the following criteria:

- A statute committing the Federal Government to use specifically identified revenues and/or other financing sources that are originally provided to the Federal Government by a non-Federal source only for designated activities, benefits, or purposes;
- Explicit authority for the fund to retain revenues and/or other financing sources not used in the current period for future use to finance the designated activities, benefits, or purposes; and
- A requirement to account for and report on the receipt, use, and retention of the revenues and/or other financing sources that distinguishes the fund from the Federal Government's general revenues.

SSA's funds from dedicated collections are the OASI and DI Trust Funds, funds collected through the taxation of Social Security benefits, and fees collected to cover a portion of SSA's administrative costs for SSI State Supplementation. Refer to Note 10, Funds from Dedicated Collections, for additional information.

Use of Estimates

The preparation of financial statements requires management to make certain estimates and assumptions that affect the reported amounts of assets and liabilities and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Application of Critical Accounting Estimates

The Statements of Social Insurance and Statements of Changes in Social Insurance Amounts are based on the selection of accounting policies and the application of significant accounting estimates, some of which require management to make significant assumptions. Further, the estimates are based on current conditions and expectations of future conditions. Actual results could differ materially from the estimated amounts. Each Statement includes information to assist in understanding the effect of changes in assumptions to the related information. Refer to Note 17, Social Insurance Disclosures.

2. Centralized Federal Financing Activities

SSA's financial activities interact with, and are dependent on, the financial activities of the centralized management functions of the Federal Government that are undertaken for the benefit of the whole Federal Government. These activities include public debt, employee retirement, life insurance, and health benefit programs. However, SSA's financial statements do not contain the results of centralized financial decisions and activities performed for the benefit of the entire Government.

Financing for general fund appropriations reported on the Consolidated Statements of Changes in Net Position may be from tax revenue, public borrowing, or both. The source of this funding, whether tax revenue or public borrowing, has not been allocated to SSA.

SSA occupies buildings that the General Services Administration (GSA) leased or have been constructed using Public Building Funds. These financial statements reflect our payments to GSA for their lease, operations maintenance, and depreciation expenses associated with these buildings.

SSA's employees participate in the Office of Personnel Management (OPM)-administered contributory Civil Service Retirement System (CSRS) or the Federal Employees' Retirement System (FERS). SSA makes matching contributions to FERS. Pursuant to Public Law 99-335, *Federal Employees' Retirement System Act of 1986*, FERS went into effect on January 1, 1987. FERS automatically covers employees hired after December 31, 1983. Employees hired prior to that date could elect to either join FERS or remain in CSRS. Refer to Note 14, Imputed Financing, for additional information.

SSA contributed $12 and $15 million for the years ended September 30, 2022 and 2021 to CSRS. SSA contributed $897 and $838 million for the years ended September 30, 2022 and 2021 to the basic FERS plan. One of the primary differences between FERS and CSRS is that FERS offers a savings plan to which SSA is required to contribute one percent of pay and match employee contributions up to an additional four percent of basic pay. SSA contributed $223 and $220 million for the years ended September 30, 2022 and 2021 to the FERS savings plan. All contributions include amounts paid and due and payable as of the end of the reporting period. These Statements do not reflect CSRS or FERS assets or accumulated plan benefits applicable to SSA employees since this data is only reported in total by OPM.

3. Non-Entity Assets

Non-entity assets are those assets that are held by an entity, but are not available to the entity. SSA displays our Non-Entity Assets in Chart 3a. The Non-Entity Assets are composed of: (1) SSI Federal and State benefit overpayments and underpayments classified as SSI Accounts Receivable, Net; (2) fees collected to administer Title VIII State Supplementation; and (3) deferred payroll taxes owed by SSA employees due to Treasury.

Chart 3a - Non-Entity Assets as of September 30:
(Dollars in Millions)

	2022			2021		
	Non-Entity Assets	Intra-agency Elimination	Net Assets	Non-Entity Assets	Intra-agency Elimination	Net Assets
Intragovernmental:						
Title VIII State Supp Fees	$ 3	$ 0	$ 3	$ 2	$ 0	$ 2
With the Public:						
SSI Fed/State Accounts Receivable, Net	4,199	(504)	3,695	3,858	(476)	3,382
Deferred Payroll Taxes	0	0	0	18	0	18
Total With the Public	4,199	(504)	3,695	3,876	(476)	3,400
Total	$ 4,202	$ (504)	$ 3,698	$ 3,878	$ (476)	$ 3,402

SSA has reduced the SSI Accounts Receivable, Net, by intra-agency eliminations (see discussion in Note 6, Accounts Receivable, Net). SSI accounts receivable is recognized as a non-entity asset. Public Law 101-517, *Departments of Labor, Health and Human Services, and Education, and Related Agencies Appropriations Act, 1991*, requires that collections from repayment of SSI Federal benefit overpayments be deposited in Treasury's General Fund. These funds, upon deposit, are assets of Treasury's General Fund, and will not be used by SSA as an SSI budgetary resource to pay SSI benefits or administrative costs. Prior to their collection, these SSI Federal benefit overpayments are recorded as SSI Accounts Receivable from the beneficiaries. SSA recognizes this receivable due from the beneficiary as a non-entity asset since the amount owed is due to Treasury's General Fund. When a beneficiary does not receive a full SSI State Supplemental benefit, SSA establishes an underpayment receivable. This receivable reflects the reimbursement due to SSA from the States to cover the unpaid benefit. SSA recognizes this receivable due from the States as a non-entity asset since the amount owed is due to the beneficiary.

SSA collects fees for administering Title VIII Supplementation benefit payments on behalf of the State of California. These funds, upon deposit, are assets of Treasury's General Fund and are a non-entity asset. Amounts collected during the fiscal year are classified as exchange revenue and are included in the Fund Balance with Treasury as of September 30, 2022 and 2021.

On August 8, 2020, the President issued the Memorandum on Deferring Payroll Tax Obligations in Light of the Ongoing COVID-19 Disaster. This Memorandum deferred certain payroll taxes owed by employees whose pre-tax bi-weekly payroll payments were less than $4,000 starting on September 1, 2020 through December 31, 2020. While the payroll tax was initially deferred, Treasury was repaid any deferred taxes through employee payments from January 1, 2021 through December 31, 2021. SSA employees were informed that they would be responsible for repayment of the deferred taxes so a non-budgetary, non-Federal receivable was recorded. SSA recognized the receivable owed by SSA employees due to Treasury as a non-entity asset. As of December 31, 2021, Treasury has been repaid all deferred taxes and all related non-entity assets have been removed.

Chart 3b provides a breakout between Non-Entity and Entity assets.

CHART 3B - NON-ENTITY/ENTITY ASSET BREAKDOWN AS OF SEPTEMBER 30:
(DOLLARS IN MILLIONS)

	2022	2021
Non-Entity Assets	$ 3,698	$ 3,402
Entity Assets	2,873,305	2,889,915
Total Assets	$ 2,877,003	$ 2,893,317

4. FUND BALANCE WITH TREASURY

The Fund Balance with Treasury, shown on the Consolidated Balance Sheets, represents the total of all of SSA's undisbursed account balances with Treasury. Fund Balance with Treasury is an asset to SSA, but not to the Government as a whole, because SSA's asset is offset by a liability of the General Fund. When disbursements are made, Treasury finances those disbursements in the same way it finances all other disbursements, which is to borrow from the public if there is a budget deficit (and to use current receipts if there is a budget surplus). Chart 4, Status of Fund Balances, presents SSA's Fund Balance with Treasury through the status of budgetary resources. The amounts in Chart 4, Status of Funds Unobligated (Available, Unavailable) and Obligated Balance Not Yet Disbursed represent budgetary authority for SSI and Other program general fund budgetary sources. OASI, DI, and LAE Trust Fund budgetary accounts are not used in Chart 4 since OASI and DI Trust Fund cash balances are held in investments until needed and do not directly correspond with the budgetary lines shown in the chart. Therefore, amounts in Chart 4 will not match corresponding activity on the Combined Statements of Budgetary Resources.

CHART 4 - STATUS OF FUND BALANCES AS OF SEPTEMBER 30:
(DOLLARS IN MILLIONS)

	2022	2021
Unobligated Balance		
Available	$ 4,554	$ 4,875
Unavailable	156	47
Obligated Balance Not Yet Disbursed	3,120	3,111
OASI, DI, and LAE	82	138
Non-Budgetary Fund Balance with Treasury	32	40
Total Status of Fund Balances	$ 7,944	$ 8,211

The Unobligated Balance, Available in Chart 4 contains Category C funding which is an amount apportioned by OMB, for multi-year or no-year accounts, that is available for use in a future fiscal year. SSA Category C funding is $132 and $255 million as of September 30, 2022 and 2021. These funds are related to the SSI State Supplemental advances for the October 1st benefit payments, SSI Beneficiary Services, and SSI Research & Demonstration activity.

The fund balance reported in Chart 4 for the total OASI, DI, and LAE Trust Funds as of September 30, 2022 and 2021 can be positive or negative as the result of the policy to protect the OASI and DI Trust Fund investments by not liquidating the investments until the cash is needed. Transfers between the OASI and DI Trust Funds and Treasury are managed to favor the financial position of the OASI and DI Trust Funds. Therefore, investments held by the OASI and DI Trust Funds are liquidated only as needed by Treasury to cover benefit and administrative payments. To maintain consistency with the amounts reported by Treasury for OASI and DI, SSA does not reclassify a negative balance as a liability on the Consolidated Balance Sheets.

5. INVESTMENTS AND INTEREST RECEIVABLE

The cash receipts collected from the public for the OASI and DI Trust Funds are invested in interest-bearing securities backed by the full faith and credit of the Federal Government, generally U.S. par-value Treasury special securities. The Secretary of the Treasury directly issues Treasury special securities to the OASI and DI Trust Funds. The securities are non-negotiable and non-transferable in the secondary market. Par-value Treasury special securities are issued with a stated rate of interest applied to its par amount and are purchased and redeemed at par plus accrued interest at or before maturity. Therefore, there are no premiums or discounts associated with the redemption of these securities.

SSA displays investments in Special-Issue U.S. Treasury Securities, and the corresponding interest receivable, reported as Intragovernmental Investments on the Consolidated Balance Sheets, in Chart 5.

CHART 5 - INVESTMENTS AS OF SEPTEMBER 30:
(DOLLARS IN MILLIONS)

	2022			2021		
	Special Issue Securities	Interest Receivable	Total Investments	Special Issue Securities	Interest Receivable	Total Investments
OASI	$ 2,723,601	$ 15,236	$ 2,738,837	$ 2,755,785	$ 16,180	$ 2,771,965
DI	114,679	686	115,365	98,032	628	98,660
Total	$ 2,838,280	$ 15,922	$ 2,854,202	$ 2,853,817	$ 16,808	$ 2,870,625

The interest rates on these investments range from 0.750 to 4.000 percent. The accrued interest is paid on June 30, December 31, and at maturity or redemption. Investments held for the OASI and DI Trust Funds mature at various dates ranging from the year 2023 to the year 2037.

Treasury special securities are an asset to the OASI and DI Trust Funds and a liability to the Treasury. Because the OASI and DI Trust Funds and the Treasury are both part of the Government, these assets and liabilities offset each other for consolidation purposes in the U.S. government-wide financial statements. For this reason, they do not represent a net asset or a net liability in the U.S. government-wide financial statements.

The Treasury does not set aside financial assets to cover its liabilities associated with the OASI and DI Trust Funds. Treasury uses the cash received from the OASI and DI Trust Funds for investment in these securities for general Government purposes. Treasury special securities provide the OASI and DI Trust Funds with authority to draw upon the Treasury to make future benefit payments or other expenditures. When the OASI and DI Trust Funds require redemption of these securities to make expenditures, the Government finances those expenditures out of accumulated cash balances by raising taxes or other receipts, by borrowing from the public or repaying less debt, or by curtailing other expenditures. This is the same way that the Government finances all other expenditures.

6. ACCOUNTS RECEIVABLE, NET

INTRAGOVERNMENTAL

Intragovernmental Accounts Receivable, Net, reported on the Consolidated Balance Sheets in the amounts of $1,226 and $1,365 million as of September 30, 2022 and 2021 primarily represents amounts to be paid from the HI/SMI Trust Funds to the LAE Appropriation. SSA reduced the gross accounts receivable by $2,955 and $3,219 million as of September 30, 2022 and 2021 as an intra-agency elimination. This elimination is primarily to offset SSA's LAE receivable to be paid from the appropriate funds with corresponding payables set up for anticipated LAE disbursements. Intragovernmental Accounts Receivable, Net also includes amounts related to the Section 4003 of the CARES Act, Emergency Relief and Taxpayer Protection, which allows Treasury to make loans, loan guarantees, and other investments to eligible businesses, States, and municipalities impacted by the COVID-19 pandemic. This legislation designates the OASI Trust Fund as the recipient of any interest and other proceeds associated with the loans, loan guarantees, and other investments after repayments of any amounts provided are made to Treasury. We have recorded $371 and $483 million as of September 30, 2022 and 2021 in Intragovernmental Accounts Receivable, Net for this activity based on Treasury's estimate of their liability owed to OASI.

SSA does not apply an allowance for doubtful accounts to determine the net value of Intragovernmental Accounts Receivable. According to SFFAS No. 1, *Accounting for Selected Assets and Liabilities*, an allowance for estimated uncollectible amounts should be recognized to reduce the gross amount of receivables to its net realizable value; however, no potential losses have been assessed on intragovernmental receivables based on individual account and program analysis.

WITH THE PUBLIC

Accounts Receivable, Net, reported on the Consolidated Balance Sheets is shown by SSA major program in Chart 6a. Amounts in the OASI and DI programs consist mainly of monies due to SSA from individuals who received benefits in excess of their entitlement. The amount of SSI Accounts Receivable represents Federal and State activity. The SSI Federal and State portions consist of overpayments due from SSI recipients who are no longer eligible to receive benefit payments or received benefits in excess of their eligibility. Additionally, the SSI State portion consists of amounts due from the States to cover underpayments due to the SSI recipients. Refer to Note 3, Non-Entity Assets, for a discussion of the SSI Federal and State overpayments and underpayments. Section 215 of the *Economic Growth, Regulatory Relief, and Consumer Protection Act* (Banking Bill) requires SSA to provide a "permitted entity" a confirmation (or non-confirmation) of fraud protection data (i.e., Social Security number verification) based on the number holder's written consent, including by electronic signature. The Banking Bill requires SSA to fully recover all costs from the users of the verification process by way of advances, reimbursements, user fees, or other recoveries as determined by the Commissioner. To comply with the Banking Bill, SSA used its LAE account to cover non-mission costs with the expectation that these costs will be fully recovered from the users of the verification process as required by law. To account for these costs SSA has recorded a non-budgetary accounts receivable of $39 and $37 million as of September 30, 2022 and 2021, which is included in the LAE Gross and Net Receivable amounts in Chart 6a. Since the agency expects to fully recover these costs, SSA has not applied an allowance for doubtful accounts against this accounts receivable. The FY 2021 LAE accounts receivable includes $20 million for deferred payroll taxes based on the President's August 8, 2020 *Memorandum on Deferring Payroll Tax Obligations in Light of the Ongoing COVID-19 Disaster*.

CHART 6A - ACCOUNTS RECEIVABLE WITH THE PUBLIC BY MAJOR PROGRAM AS OF SEPTEMBER 30:
(DOLLARS IN MILLIONS)

	2022			2021		
	Gross Receivable	Allowance for Doubtful Accounts	Net Receivable	Gross Receivable	Allowance for Doubtful Accounts	Net Receivable
OASI	$ 3,137	$ (1,073)	$ 2,064	$ 3,046	$ (969)	$ 2,077
DI	5,856	(2,959)	2,897	5,963	(2,831)	3,132
SSI*	12,537	(8,338)	4,199	11,815	(7,957)	3,858
LAE	41	0	41	60	0	60
Subtotal	21,571	(12,370)	9,201	20,884	(11,757)	9,127
Less: Eliminations**	(519)	0	(519)	(491)	0	(491)
Total	$ 21,052	$ (12,370)	$ 8,682	$ 20,393	$ (11,757)	$ 8,636

Notes:

*See discussion in Note 3, Non-Entity Assets

**Intra-Agency Eliminations

Chart 6a shows that in FY 2022 and FY 2021, SSA reduced gross accounts receivable by $519 and $491 million as an intra-agency elimination. This intra-agency activity results primarily from the Windfall Offset and KZ Diary activity. Windfall Offset is the amount of SSI that would not have been paid if retroactive OASI and DI benefits had been paid timely to eligible beneficiaries. The KZ Diary process identifies SSI recipients eligible for prior entitlement of OASI and DI benefits and determines SSA's liability for retroactive benefits owed to beneficiaries. For each activity, SSA recognizes a receivable in the SSI program with offsetting payables for both the OASI and DI programs.

SSA has an automated process to evaluate programmatic debt and write-off certain delinquent debts deemed uncollectible. While this debt is being written-off, it remains available for future collection, which SSA can pursue if the debtor becomes entitled to OASDI or SSI benefits. At that point, we would re-establish the accounts receivable, and pursue collections. In addition, if eligible, we will refer these delinquent debts to the Treasury Offset Program for external collection action. We did not refer any delinquent debts to the Treasury Offset Program during FY 2022.

As part of our Allowance for Doubtful Accounts methodology, SSA allows all delinquent debt two years and older as we estimate this debt is uncollectible based on the age of the debt. For our remaining debt, SSA annually recalculates a ratio of allowance for doubtful accounts on programmatic accounts receivable with the public. We apply a moving five-year average of uncollectible receivable ratios, based on comparing each program's collections to new debt while considering turnover rates, against outstanding receivables that are not delinquent two years and older. We add this calculated uncollectible ratio-based value to the allowed delinquent debt two years and older value to compute the total amount of allowance for doubtful accounts.

2049 SYSTEM LIMITATION

A Title II system design limitation prevents us from capturing and tracking long-term withholding agreements for debts owed by the public scheduled for collection beyond the year 2049. Current policy allows for repayment periods based on the ability of beneficiaries to repay on a periodic basis. This allows for the establishment of payment terms, which may exceed the expected life span of the beneficiary.

When the projected collection extends beyond December 31, 2049, we perform a manual action to establish withholding through December 31, 2049, causing the system to delete the remaining debts owed by the public balance from the record. Current policy requires us to post a manual overpayment diary to control for follow-up of the remaining balance in December 2049. However, because our records do not reflect the post 2049 balance, subsequent correspondence to the debtor presents only the pre-2049 balance of the debts owed by the public established for withholding.

We do not include these balances in the Chart 6a gross receivable amounts as they are not material to the consolidated financial statements. We estimate that the total gross value of the post year 2049 amount not captured in our gross receivables, is approximately $751 and $731 million as of September 30, 2022 and 2021. The 2049 data limitation in our debt management systems will no longer exist as we update and implement the new Debt Management System.

7. GENERAL PROPERTY, PLANT, AND EQUIPMENT, NET

General Property, Plant, and Equipment, Net, as reported on the Consolidated Balance Sheets, is reflected by major class in Chart 7a.

CHART 7A - GENERAL PROPERTY, PLANT, AND EQUIPMENT AS OF SEPTEMBER 30:
(DOLLARS IN MILLIONS)

	2022			2021		
Major Classes:	Cost	Accumulated Depreciation	Net Book Value	Cost	Accumulated Depreciation	Net Book Value
Buildings and Other Structures	$ 47	$ (23)	$ 24	$ 47	$ (22)	$ 25
Equipment (incl. ADP Hardware)	1,675	(1,262)	413	1,483	(1,117)	366
Internal Use Software	9,735	(6,391)	3,344	8,887	(5,907)	2,980
Leasehold Improvements	1,684	(866)	818	1,589	(786)	803
Deferred Charges*	1,210	(979)	231	1,146	(948)	198
Total	$ 14,351	$ (9,521)	$ 4,830	$ 13,152	$ (8,780)	$ 4,372

Major Classes:	Estimated Useful Life	Method of Depreciation	Capitalization Threshold
Buildings and Other Structures	50 years	Straight Line	$0
Equipment (incl. ADP Hardware)	5 years	Straight Line	$100 thousand
Internal Use Software	5-10 years	Straight Line	$0-100 thousand
Leasehold Improvements	6-33 years	Straight Line	$0-100 thousand
Deferred Charges*	12 years	Straight Line	$0-100 thousand

Note:

*Deferred Charges include fixtures (no threshold) and telephone replacement/upgrade projects ($100 thousand).

CHART 7B - RECONCILIATION OF GENERAL PROPERTY, PLANT, AND EQUIPMENT, NET AS OF SEPTEMBER 30:
(DOLLARS IN MILLIONS)

	2022	2021
Balance beginning of year	$ 4,372	$ 3,765
Capitalized acquisitions	1,199	1,280
Depreciation expense	(741)	(673)
Balance at end of year	$ 4,830	$ 4,372

8. Advances and Prepayments

Intragovernmental Advances and Prepayments

Intragovernmental Advances and Prepayments amounts include advances provided to Federal agencies for goods and services that will be furnished to SSA. Intragovernmental Advances and Prepayments are $119 and $108 million as of September 30, 2022 and 2021.

9. Liabilities

Liabilities of Federal agencies are classified as liabilities Covered by, Not Covered by, or Not Requiring budgetary resources and are recognized when incurred. Charts 9a and 9b disclose SSA's liabilities Covered by budgetary resources, Not Covered by budgetary resources, and Not Requiring budgetary resources. Liabilities Covered by budgetary resources use available budget authority when SSA incurs the liabilities. Liabilities Not Covered by budgetary resources do not use available budget authority in the current period; these liabilities will be funded in future periods. Liabilities Not Requiring budgetary resources represent cash or receivables due to the General Fund and States, which do not require budgetary authority.

Chart 9a - Liabilities as of September 30:
(Dollars in Millions)

	2022			
	Covered	Not Covered	Not Requiring	Total
Intragovernmental:				
Accounts Payable	$ 5,486	$ 0	$ 0	$ 5,486
Advances from Others and Deferred Revenue	0	0	0	0
Other	36	48	3,989	4,073
Total Intragovernmental	5,522	48	3,989	9,559
With the Public				
Accounts Payable	54	58	155	267
Federal Employee and Veteran Benefits Payable	5	670	0	675
Benefits Due and Payable	124,026	2,176	0	126,202
Advances from Others and Deferred Revenue	13	0	0	13
Other Liabilities	103	0	21	124
Total with the Public	124,201	2,904	176	127,281
Total Liabilities	$ 129,723	$ 2,952	$ 4,165	$ 136,840

CHART 9B - LIABILITIES AS OF SEPTEMBER 30:
(DOLLARS IN MILLIONS)

	2021			
	Covered	Not Covered	Not Requiring	Total
Intragovernmental:				
Accounts Payable	$ 5,314	$ 0	$ 0	$ 5,314
Advances from Others and Deferred Revenue	1	0	0	1
Other	96	67	3,649	3,812
Total Intragovernmental	5,411	67	3,649	9,127
With the Public				
Accounts Payable	93	54	158	305
Federal Employee and Veteran Benefits Payable	12	703	0	715
Benefits Due and Payable	108,942	1,908	0	110,850
Advances from Others and Deferred Revenue	203	0	0	203
Other Liabilities	288	0	38	326
Total with the Public	109,538	2,665	196	112,399
Total Liabilities	$ 114,949	$ 2,732	$ 3,845	$ 121,526

INTRAGOVERNMENTAL LIABILITIES

ACCOUNTS PAYABLE

Intragovernmental Accounts Payable Covered by budgetary resources primarily includes an accrued liability for amounts due to the Railroad Retirement Board for the annual interchange from the OASI and DI Trust Funds. This annual interchange is required to place the OASI and DI Trust Funds in the same position they would have been if SSA had covered railroad employment. The *Railroad Retirement Act of 1974* requires the transfer, including interest accrued from the end of the preceding fiscal year, to be made in June. SSA's Railroad Retirement Interchange liability is $5,464 and $5,285 as of September 30, 2022 and 2021.

ADVANCES FROM OTHERS AND DEFERRED REVENUE

Intragovernmental Advances from Others and Deferred Revenue Covered by budgetary resources include advances from the Department of Homeland Security for employment verification services to be performed by SSA.

OTHER LIABILITIES

Intragovernmental Other Liabilities include amounts Covered by budgetary resources for payroll taxes, excluding deferred payroll taxes. Intragovernmental Other Liabilities Covered, shown in Charts 9a and 9b, are current liabilities. Intragovernmental Other Liabilities Not Covered by budgetary resources includes amounts for *Federal Employees' Compensation Act* (FECA), administered by the Department of Labor (DOL). FECA provides income and medical cost protection to covered Federal civilian employees injured on the job, employees who have incurred a work-related injury or occupational disease, and beneficiaries of employees whose death is attributable to a job-related injury or occupational disease. For payment purposes, claims incurred for benefits for SSA employees under FECA are divided into current and non-current portions. The current portion represents SSA's accrued liability due to the DOL's FECA Special Benefits Fund for payments made on SSA's behalf. The funding for the liability will be made from a future appropriation. SSA's current portions of FECA liability are $48 and $49 million as of September 30, 2022 and 2021. The FY 2021 Intragovernmental Other Liabilities Not Covered by budgetary resources includes $18 million for deferred payroll taxes based on the President's August 8, 2020 *Memorandum on Deferring Payroll Tax Obligations in Light of the Ongoing COVID-19 Disaster* due to Treasury. As of December 31, 2021, Treasury has been repaid all deferred taxes and all related payables have been removed.

Intragovernmental Other Liabilities Not Requiring budgetary resources includes amounts due to Treasury's General Fund, which primarily consists of a payable for SSI Federal benefit overpayments. SSA records a payable equal to the SSI Federal benefit overpayments receivable when the agency identifies overpayments. Refer to Note 3, Non-Entity Assets, for additional information on the SSI receivables established for the repayment of SSI benefit overpayments. Intragovernmental Other Liabilities Not Requiring budgetary resources are current and non-current depending on when the benefit overpayment collections are received. Chart 9c displays a breakout of Intragovernmental Other Liabilities as of September 30, 2022 and 2021.

Chart 9c - Intragovernmental Other Liabilities as of September 30:
(Dollars in Millions)

	2022	2021
Employer Contributions and Payroll Taxes Payable	$ 35	$ 95
Unemployment Compensation Liability	1	1
Unfunded FECA Liability	48	49
Liability to the General Fund for Non-Entity Assets	3,989	3,649
Other Liabilities w/o related budgetary obligations	0	18
Total Other Liabilities	$ 4,073	$ 3,812

Liabilities with the Public

Accounts Payable

Accounts Payable Not Requiring budgetary resources consists of SSI State Supplemental overpayments due to States. States are entitled to any overpayment that SSA expects to collect because the States fund the actual payments made to the beneficiaries. Accounts Payable Not Covered by budgetary resources consist of SSI State Supplemental underpayments due to the SSI recipients. These amounts are set up as an accounts payable until payment is made.

Federal Employee and Veteran Benefits Payable

Federal Employee and Veteran Benefits Payable Not Covered by budgetary resources includes amounts for leave earned but not taken and the non-current portion of FECA, which is an actuarial liability. Leave earned but not taken of $402 and $429 million as of September 30, 2022 and 2021 represents annual and compensatory leave earned by SSA employees but not used as of the reporting date. The non-current FECA portion of $268 and $274 million as of September 30, 2022 and 2021 represents the expected liability from FECA claims for the next 23-year period. DOL calculated this actuarial liability using historical payment data to project future costs.

Benefits Due and Payable

Benefits Due and Payable are amounts owed to program recipients that have not yet been paid as of the balance sheet date. Chart 9d shows the amounts for SSA's major programs as of September 30, 2022 and 2021. These amounts include an estimate for unadjudicated cases that will be payable in the future. Except for the SSI program, budgetary resources cover the unadjudicated cases.

Chart 9d - Benefits Due and Payable as of September 30:
(Dollars in Millions)

	2022	2021
OASI	$ 98,634	$ 87,397
DI	24,219	20,472
SSI	3,868	3,472
Subtotal	126,721	111,341
Less: Intra-agency eliminations	(519)	(491)
Total Benefits Due and Payable	$ 126,202	$ 110,850

Chart 9d also shows that as of FY 2022 and FY 2021, SSA reduced gross Benefits Due and Payable by $519 and $491 million as an intra-agency elimination. This intra-agency activity results primarily from the Windfall Offset and KZ Diary activity. Refer to Note 6, Accounts Receivable, Net.

Advances from Others and Deferred Revenue

SSA's Advances from Others and Deferred Revenue Covered by budgetary resources is primarily comprised of SSI State Supplemental amounts collected in advance of future SSI benefit payments made by SSA on the State's behalf.

Other Liabilities

SSA's Other Liabilities consist of liabilities Covered by and Not Requiring budgetary resources. Other Liabilities Covered by budgetary resources is primarily comprised of accrued payroll. Other liabilities Not Requiring budgetary resources consists of unapplied deposit funds. Other Liabilities are current in nature with the exception of $18 million of Not Requiring unapplied deposit funds as of September 30, 2022 and 2021. Chart 9e displays a breakout of Other Liabilities with the Public as of September 30, 2022 and 2021.

Chart 9e - Other Liabilities as of September 30:
(Dollars in Millions)

	2022	2021
Accrued Funded Payroll and Leave	$ 103	$ 288
Other Liabilities w/o related budgetary obligations	21	38
Total Other Liabilities	$ 124	$ 326

Federal Leases

SSA has Occupancy Agreements (OA) with GSA for each space that we occupy. The OA is a complete, concise statement of the business terms governing the tenancy relationship between SSA and GSA. The OA is not a lease, but rather a formal agreement between the signing parties. For accounting purposes, these OAs are treated as lease activity. GSA charges rental rates for space that approximates commercial rental rates for similar properties. The terms of the OAs vary according to whether the Federal Government directly owns the underlying assets or if GSA rents the underlying asset from third-party commercial property owners, though each OA may have slightly different terms. SSA executes cancellable and non-cancellable OAs with GSA. Periods of occupancy on OAs vary and can generally be cancelled with four months' notice following the first year of occupancy. OAs must be coterminous with the underlying lease term. For non-cancellable OAs, SSA is financially responsible for rental payments on vacated space until the expiration of the OA, the termination of the OA permitted under the lease terms, or the occupancy by a replacement tenant covers the total rent obligation. OAs do not include renewal options that may be in the lease, as GSA makes a determination as to whether such options are fair and reasonable relative to the market when the option matures. Chart 9f shows the future estimated rental payments required under OAs that have initial or remaining non-cancellable terms in excess of one year. SSA does not include the amounts reported in our financial statements. SSA expenses OAs as incurred and does not record liabilities for future years' costs.

Chart 9F - Future Operating Lease/Occupancy Agreement Commitments as of September 30:
(Dollars in Millions)

Fiscal Year	GSA OAs	
2023	$	141
2024		133
2025		117
2026		111
2027		101
2028 and Thereafter (In total)*		382
Total Future Lease Payments	$	985

Note:

*OAs go through the year 2037.

Contingent Liabilities

SSA's Contingent Liabilities include pending claims with estimated potential losses that are deemed reasonably possible of having an adverse outcome. According to SFFAS 5, *Accounting for Liabilities of the Federal Government*, for legal contingencies deemed reasonably possible of having an adverse outcome, no liability is recognized; however, disclosure of the contingency is required. See disclosures of Contingent Liabilities described below:

- A case contests SSA's method of reducing benefits under the family maximum provision for auxiliary children of retired workers whose benefits are reduced due to becoming entitled to such benefits before attaining full retirement age. The amount of potential loss arising out of these cases is estimated, based on the broadest possible scope of application, to be approximately $6,279 million and $9 million for the OASI and DI Trust Funds, respectively. There is no contingent liability for the SSI program.

- A case contests the interim final rule related to SSA's implementation of a streamlined waiver process for certain overpayment debts that accrued during a defined COVID-19 pandemic period. Due to the uncertainty of potential outcomes, the agency does not have an estimate of the contingent liability at this time.

10. Funds from Dedicated Collections

The OASI and DI Trust Funds, Taxation on Social Security Benefits, and SSI State Administrative Fees are classified as funds from dedicated collections. These funds obtain revenues primarily through non-Federal receipts, such as Social Security payroll taxes and, to a lesser extent, offsetting collections.

OASI and DI Trust Funds

The OASI Trust Fund provides retirement and survivors benefits to qualified workers and their families. The DI Trust Fund provides disability benefits to individuals who cannot work because they have a medical condition expected to last one year or result in death.

Payroll and self-employment taxes primarily fund the OASI and DI Trust Funds. Interest earnings on Treasury securities, Federal agencies' payments for the Social Security benefits earned by military and Federal civilian employees, and Treasury payments for a portion of income taxes paid on Social Security benefits provide additional income to the OASI and DI Trust Funds. The law establishing the OASI and DI Trust Funds is set forth in 42 U.S.C. § 401. Refer to Note 13, Tax Revenues, for a discussion on employment taxes credited to the OASI and DI Trust Funds, and Note 5, Investments and Interest Receivable, for a discussion on interest.

Funds not withdrawn for current expenses (benefits, the financial interchange with the Railroad Retirement program, and administrative expenses) are invested in interest-bearing Federal securities, as required by law. See Note 5, Investments and Interest Receivable, for a discussion on Treasury securities.

Taxation on Social Security Benefits

Taxation on Social Security Benefits is also classified as funds from dedicated collections. The *Social Security Amendments of 1983* (Public Law 98-21) provides that the OASI and DI Trust Funds receive income related to Federal income taxation of benefits. The taxes are collected as Federal income taxes, and a subsequent payment is then made to the OASI and DI Trust Funds from the General Fund of the Treasury. These collections are warranted from the General Fund and transferred to the OASI and DI Trust Funds via an intragovernmental transfer. These transfers are to be reserved for specific purposes in the future. Thus, Taxation on Social Security Benefits is considered dedicated collections.

SSI State Administrative Fees

Administrative Fees collected from States are also classified as funds from dedicated collections. Section 42 U.S.C. 1616 authorizes the Commissioner of Social Security to assess each State an administrative fee in an amount equal to the number of Supplemental payments made by SSA on behalf of the State for any month in a fiscal year, multiplied by the applicable rate for the fiscal year. See Note 12, Exchange Revenues, for a discussion of SSI State Administrative Fees.

See Charts 10a and 10b for balances of funds from dedicated collections as reported in the Consolidated Financial Statements for the years ended September 30, 2022 and 2021. The Other Dedicated Funds column in Charts 10a and 10b consist of Taxation on Social Security Benefits and SSI State Administrative Fees activity.

CHART 10A - FUNDS FROM DEDICATED COLLECTIONS AS OF SEPTEMBER 30: CONSOLIDATING SCHEDULE
(DOLLARS IN MILLIONS)

	2022					
	OASI Trust Fund	DI Trust Fund	Other Dedicated Funds	Total Funds from Dedicated Collections (Combined)	Eliminations Between Dedicated Collections	Total Funds from Dedicated Collections (Consolidated)
Balance Sheet						
Assets						
Intragovernmental:						
Fund Balance with Treasury	$ 29	$ 12	$ 9	$ 50	$ 0	$ 50
Investments	2,738,837	115,365	0	2,854,202	0	2,854,202
Accounts Receivable, Federal	371	0	0	371	0	371
Total Intragovernmental Assets	2,739,237	115,377	9	2,854,623	0	2,854,623
With the Public:						
Accounts Receivable, Non-Federal	2,064	2,897	0	4,961	(4)	4,957
Total Assets	$ 2,741,301	$ 118,274	$ 9	$ 2,859,584	$ (4)	$ 2,859,580
Liabilities and Net Position						
Intragovernmental:						
Accounts Payable, Federal	$ 6,319	$ 758	$ 0	$ 7,077	$ 0	$ 7,077
With the Public:						
Accounts Payable, Non-Federal	0	4	0	4	0	4
Benefits Due and Payable	98,634	24,219	0	122,853	(4)	122,849
Total with the Public	98,634	24,223	0	122,857	(4)	122,853
Total Liabilities	104,953	24,981	0	129,934	(4)	129,930
Cumulative Results of Operations	2,636,348	93,293	9	2,729,650	0	2,729,650
Total Liabilities and Net Position	$ 2,741,301	$ 118,274	$ 9	$ 2,859,584	$ (4)	$ 2,859,580
Statement of Net Cost						
Program Costs	$ 1,075,126	$ 146,259	$ 0	$ 1,221,385	$ 0	$ 1,221,385
Operating Expenses	625	313	0	938	0	938
Less Earned Revenue	(1)	(20)	(147)	(168)	0	(168)
Net Cost of Operations	$ 1,075,750	$ 146,552	$ (147)	$ 1,222,155	$ 0	$ 1,222,155
Statement of Changes in Net Position						
Net Position Beginning of Period	$ 2,680,969	$ 80,479	$ 0	$ 2,761,448	$ 0	$ 2,761,448
Non-Exchange Revenue						
Tax Revenue - Intragovernmental	929,042	157,816	0	1,086,858	0	1,086,858
Interest Revenue - Intragovernmental	64,137	2,716	0	66,853	0	66,853
Other - With the Public	1	0	0	1	0	1
Total Non-Exchange Revenue	993,180	160,532	0	1,153,712	0	1,153,712
Net Transfers In/Out	37,949	(1,166)	(48,640)	(11,857)	0	(11,857)
Other	0	0	48,502	48,502	0	48,502
Net Cost of Operations	1,075,750	146,552	(147)	1,222,155	0	1,222,155
Net Change	(44,621)	12,814	9	(31,798)	0	(31,798)
Net Position End of Period	$ 2,636,348	$ 93,293	$ 9	$ 2,729,650	$ 0	$ 2,729,650

The above Chart 10a for FY 2022 includes eliminations between SSA's funds from dedicated collections, which primarily represent eliminations for activity between the OASI and DI Trust Funds. However, $2,129 million of receivables and liabilities in the funds from dedicated collections for the year ended September 30, 2022 must be eliminated against LAE (Accounts Payable, Federal), SSI (Benefits Due and Payable and Accounts Receivables, Non-Federal), and PTF, excluding Taxation on Benefits (Accounts Receivable, Federal), which are not classified as funds from dedicated collections. Therefore, due to the separate presentation of funds from dedicated collections only in this note, SSA does not include eliminations between funds from dedicated collections and LAE, SSI, and PTF, excluding Taxation on Benefits in Chart 10a.

Chart 10b - Funds from Dedicated Collections as of September 30: Consolidating Schedule
(Dollars in Millions)

	2021					
	OASI Trust Fund	DI Trust Fund	Other Dedicated Funds	Total Funds from Dedicated Collections (Combined)	Eliminations Between Dedicated Collections	Total Funds from Dedicated Collections (Consolidated)
Balance Sheet						
Assets						
Intragovernmental:						
Fund Balance with Treasury	$ 14	$ 30	$ 0	$ 44	$ 0	$ 44
Investments	2,771,965	98,660	0	2,870,625	0	2,870,625
Accounts Receivable, Federal	484	0	0	484	0	484
Total Intragovernmental Assets	2,772,463	98,690	0	2,871,153	0	2,871,153
With the Public:						
Accounts Receivable, Non-Federal	2,077	3,132	0	5,209	(4)	5,205
Total Assets	$ 2,774,540	$ 101,822	$ 0	$ 2,876,362	$ (4)	$ 2,876,358
Liabilities and Net Position						
Intragovernmental:						
Accounts Payable, Federal	$ 6,173	$ 867	$ 0	$ 7,040	$ 0	$ 7,040
With the Public:						
Accounts Payable, Non-Federal	1	4	0	5	0	5
Benefits Due and Payable	87,397	20,472	0	107,869	(4)	107,865
Total with the Public	87,398	20,476	0	107,874	(4)	107,870
Total Liabilities	93,571	21,343	0	114,914	(4)	114,910
Cumulative Results of Operations	2,680,969	80,479	0	2,761,448	0	2,761,448
Total Liabilities and Net Position	$ 2,774,540	$ 101,822	$ 0	$ 2,876,362	$ (4)	$ 2,876,358
Statement of Net Cost						
Program Costs	$ 986,398	$ 139,818	$ 0	$ 1,126,216	$ 0	$ 1,126,216
Operating Expenses	540	278	0	818	0	818
Less Earned Revenue	(1)	(20)	(126)	(147)	0	(147)
Net Cost of Operations	$ 986,937	$ 140,076	$ (126)	$ 1,126,887	$ 0	$ 1,126,887
Statement of Changes in Net Position						
Net Position Beginning of Period	$ 2,741,021	$ 78,551	$ 0	$ 2,819,572	$ 0	$ 2,819,572
Non-Exchange Revenue						
Tax Revenue -Intragovernmental	831,124	141,195	0	972,319	0	972,319
Interest Revenue - Intragovernmental	68,971	2,679	0	71,650	0	71,650
Other - With the Public	7	0	0	7	0	7
Total-Non Exchange Revenue	900,102	143,874	0	1,043,976	0	1,043,976
Net Transfers In/Out	26,783	(1,870)	(34,927)	(10,014)	0	(10,014)
Other	0	0	34,801	34,801	0	34,801
Net Cost of Operations	986,937	140,076	(126)	1,126,887	0	1,126,887
Net Change	(60,052)	1,928	0	(58,124)	0	(58,124)
Net Position End of Period	$ 2,680,969	$ 80,479	$ 0	$ 2,761,448	$ 0	$ 2,761,448

Chart 10b for FY 2021 includes eliminations between SSA's funds from dedicated collections, which primarily represent eliminations for activity between the OASI and DI Trust Funds. However, $2,244 million of receivables and liabilities in the funds from dedicated collections for the year ended September 30, 2021 must be eliminated against LAE (Accounts Payable, Federal), SSI (Benefits Due and Payable and Accounts Receivables, Non-Federal), and PTF, excluding Taxation on Benefits (Accounts Receivable, Federal), which are not classified as funds from dedicated collections. Therefore, due to the separate presentation of funds from dedicated collections only in this note, SSA does not include eliminations between funds from dedicated collections and LAE, SSI, and PTF, excluding Taxation on Benefits in Chart 10b.

11. Operating Expenses

Classification of Operating Expenses by Major Program

Charts 11a and 11b display SSA's operating expenses for each major program. LAE SSA operating expenses recorded in Other primarily represent the HI/SMI Trust Funds' shares of SSA's operating expenses, including the Medicare Prescription Drug Program. LAE operating expenses related to the *American Recovery and Reinvestment Act of 2009* (ARRA) are recorded in the Other program, and primarily represent expenses associated with the National Support Center. LAE operating expenses related to the CARES Act are recorded in the Other program, and primarily represent expenses to prevent, prepare for, and respond to COVID-19 pandemic, and to assist Treasury with economic impact payments. OASI and DI Trust Fund Operations include expenses of Treasury to assist in managing the OASI and DI Trust Funds. Vocational Rehabilitation includes expenditures of State agencies for vocational rehabilitation of OASI, DI, and SSI beneficiaries.

Chart 11a - SSA's Operating Expenses by Major Program as of September 30: (Dollars in Millions)

	2022						
	LAE				OASI and DI Trust Fund Operations	Vocational Rehabilitation & Other	Total
	SSA	OIG	CARES Act	ARRA			
OASI	$ 3,537	$ 47	$ 0	$ 0	$ 604	$ 21	$ 4,209
DI	2,576	34	0	0	105	208	2,923
SSI	4,512	0	0	0	0	246	4,758
Other	2,873	32	3	3	0	0	2,911
Total	$ 13,498	$ 113	$ 3	$ 3	$ 709	$ 475	$ 14,801

Chart 11b - SSA's Operating Expenses by Major Program as of September 30: (Dollars in Millions)

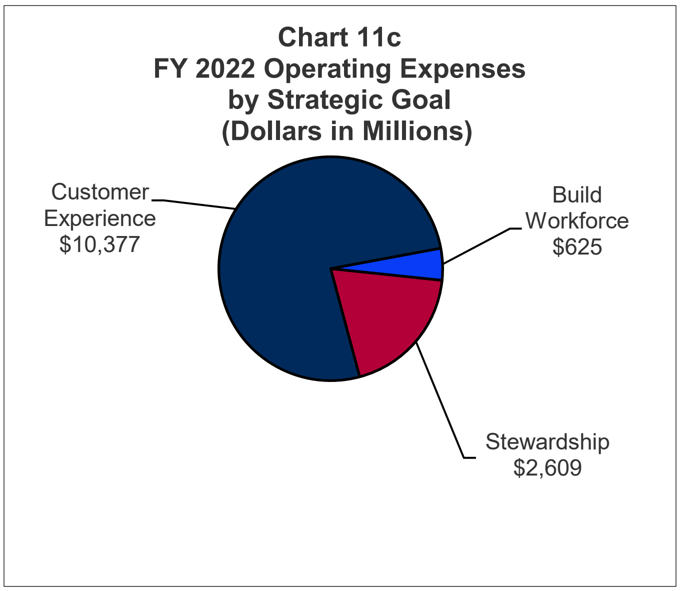
	2021						
	LAE				OASI and DI Trust Fund Operations	Vocational Rehabilitation & Other	Total
	SSA	OIG	CARES Act	ARRA			
OASI	$ 3,372	$ 46	$ 0	$ 0	$ 524	$ 16	$ 3,958
DI	2,534	34	0	0	94	184	2,846
SSI	4,490	0	0	0	0	214	4,704
Other	2,747	32	55	7	0	0	2,841
Total	$ 13,143	$ 112	$ 55	$ 7	$ 618	$ 414	$ 14,349

Classification of Operating Expenses by Strategic Goal

SSA's *Annual Performance Plan* (APP) sets forth expected levels of performance the agency is committed to achieving and includes proposed levels of performance for future fiscal years. Our APP is characterized by agency-wide broad-based Strategic Goals. The three Strategic Goals are:

- Optimize the Experience of SSA Customers (Customer Experience);
- Build an Inclusive, Engaged, and Empowered Workforce (Build Workforce); and
- Ensure Stewardship of SSA Programs (Stewardship).

Chart 11c exhibits the distribution of FY 2022 SSA and OIG LAE operating expenses to the three APP Strategic Goals, which agree to the agency's LAE budget appropriation. As noted earlier in this report, the agency revised its Strategic Goals starting in FY 2022. Therefore, because the Strategic Goals are not comparable between FY 2022 and FY 2021, we did not include a chart showing the distribution of FY 2021 operating expenses by Strategic Goal.



For Chart 11c, we subtracted LAE ARRA and CARES Act expenses from total SSA LAE operating expenses before distributing the operating expenses to the agency's APP Strategic Goals. We do not include OASI and DI Trust Fund Operations and Vocational Rehabilitation expenses (see Chart 11a) in LAE by Strategic Goal as these amounts are disbursed from the OASI and DI Trust Funds and are not directly linked to the budget authority.

12. Exchange Revenues

SSA recognizes revenue from exchange transactions when goods and services are provided. The goods and services provided are priced so that charges do not exceed the agency's cost. Total exchange revenue is $320 and $312 million for the years ended September 30, 2022 and 2021. SSA's exchange revenue primarily consists of fees collected to administer SSI State Supplementation. The fees charged to the States are $13.16 and $12.49, per payment, for the years ended September 30, 2022 and 2021. SSA has agreements with 20 States and the District of Columbia to administer some or all of the States' supplement to Federal SSI benefits. Additional fees are collected for handling OASI and DI Trust Fund and SSI attorney fees. Other exchange revenue consists of reimbursement for performing non-mission work for Federal and non-Federal entities. Chart 12 discloses SSA's exchange revenue by activity.

CHART 12 - EXCHANGE REVENUE AS OF SEPTEMBER 30: (DOLLARS IN MILLIONS)

	2022	2021
SSI State Supplementation Fees	$ 236	$ 211
SSI Attorney Fees	6	7
DI Attorney Fees	20	20
OASI Attorney Fees	1	1
Other Exchange Revenue	57	73
Total Exchange Revenue	$ 320	$ 312

SSI administrative fees are split between fees that SSA can use and fees that belong to Treasury's General Fund. The General Fund's portion of these administrative fees are $95 and $91 million for the years ended September 30, 2022 and 2021. Of these amounts, $89 and $84 million were collected to administer SSI State Supplementation for the years ended September 30, 2022 and 2021. SSA maintains the remainder of the SSI administrative fees, which meet the criteria of a fund from dedicated collections, in the amounts of $147 and $127 million for the years ended September 30, 2022 and 2021, to defray expenses in carrying out the SSI program.

13. TAX REVENUES

Treasury estimates monthly employment tax revenues based on SSA's quarterly estimate of taxable earnings. Treasury uses these estimates to credit the OASI and DI Trust Funds with tax receipts received during the month. Treasury adjusts the amounts previously credited to the OASI and DI Trust Funds based on actual wage data SSA certified quarterly.

As required by current law, the OASI and DI Trust Funds are due the total amount of employment taxes payable regardless of whether they have been collected. These estimated amounts are subject to adjustments for wages that were previously unreported, employers misunderstanding the wage reporting instructions, businesses terminating operations during the year, or errors made and corrected with either the Internal Revenue Service (IRS) or SSA. Revenues to the OASI and DI Trust Funds are reduced for excess employment taxes, which are refunded by offset against income taxes.

Chart 13 displays SSA's Tax Revenue, as reported on the Consolidated Statements of Changes in Net Position, by major program.

CHART 13 - TAX REVENUE AS OF SEPTEMBER 30: (DOLLARS IN MILLIONS)

	2022	2021
OASI	$ 929,042	$ 831,124
DI	157,816	141,195
Total Tax Revenue	$ 1,086,858	$ 972,319

14. IMPUTED FINANCING

SSA recognizes the full cost of goods and services it receives from other entities on our Consolidated Statements of Net Cost. In some instances, goods or services provided by one Federal entity to another may not be fully reimbursed by the receiving entity. The unreimbursed portion of these costs is considered an imputed cost, and must be recognized on the receiving entity's Statement of Net Cost. The funding for these imputed costs is recognized as an imputed financing source on the receiving entity's Statement of Changes in Net Position. SSA has activities with OPM, Treasury, and the Department of Homeland Security (DHS) that require imputed costs and financing sources to be recognized. While the imputed financing sources are shown on the face of the Consolidated Statements of Changes in Net Position, the imputed costs are included in the operating expense amounts reported on the Consolidated Statements of Net Cost.

OPM administers three earned benefit programs for civilian Federal employees: (1) the Retirement Program, comprised of the CSRS and the FERS; (2) the Federal Employees Health Benefits Program (FEHBP); and (3) the Federal Employee Group Life Insurance Program (FEGLI). The total service costs for SSA employee pensions, life, and health insurance are financed by contributions of SSA, participating employees, and OPM. The Consolidated Statements of Net Cost recognize post-employment benefit expenses of $1,491 and $1,428 million for the years ended September 30, 2022 and 2021, as a portion of operating expenses. The expense represents the current and estimated future costs of SSA and OPM for SSA employee pensions, life, and health insurance. SSA is responsible for a portion of the costs of each benefit program during the fiscal year, while OPM covers the remaining costs. SSA recognizes these costs on our financial statements as an imputed cost with a corresponding imputed financing source.

Treasury, on SSA's behalf, processes the payments for SSI benefits. While the majority of the administrative costs associated with processing these payments are recorded as imputed costs with an associated imputed financing source, SSA is responsible for the costs related to postage. In addition, when funds are not legally available to pay monetary awards from SSA's own appropriations, Treasury issues payments from the Judgment Fund on behalf of SSA for court judgments and Department of Justice compromise settlements of actual or imminent lawsuits against SSA. These costs are also recorded as imputed costs with a corresponding imputed financing source.

DHS provides SSA with capabilities and tools that identify cybersecurity risks as part of their Continuous Diagnostics and Mitigation (CDM) program. Specifically, DHS has provided SSA with hardware and internal use software associated with this program.

Chart 14 discloses SSA's imputed financing sources by activity.

CHART 14 - IMPUTED FINANCING SOURCES AS OF SEPTEMBER 30:
(DOLLARS IN MILLIONS)

	2022	2021
Employee Benefits (OPM)		
CSRS	$ 52	$ 58
FERS	10	3
FEHBP	521	514
FEGLI	1	1
Total Employee Benefits	584	576
SSI Benefit Payments (Treasury)	17	17
Judgment Fund (Treasury)	1	2
CDM Program (DHS)	7	0
Total Imputed Financing Sources	$ 609	$ 595

15. BUDGETARY RESOURCES

APPROPRIATIONS RECEIVED

The Combined Statements of Budgetary Resources discloses Appropriations Received of $1,347,799 and $1,232,394 million for the years ended September 30, 2022 and 2021. Appropriations Received on the Consolidated Statements of Changes in Net Position are $114,082 and $94,946 million for the same periods. The differences of $1,233,717 and $1,137,448 million primarily represent appropriated OASI and DI Trust Fund receipts. The Consolidated Statements of Changes in Net Position reflect new appropriations received during the year; however, those amounts do not include dedicated receipts in the OASI and DI Trust Funds.

Appropriations Received for PTF are recorded based on warrants received from the General Fund and presented as Other in the financial statements. These amounts are transferred to the Bureau of Fiscal Service where they are also recorded as Appropriations Received in the OASI and DI Trust Funds. Because OASI and DI Trust Fund activity is combined with Other on SSA's Combined Statements of Budgetary Resources, Appropriations Received for PTF are duplicated. This is in compliance with OMB's Circular No. A-136 to have the Combined Statements of Budgetary Resources in agreement with the required SF-133. These amounts are also included on the Consolidated Statements of Changes in Net Position for Other in Appropriations Received.

Permanent Indefinite Appropriation

SSA has three Permanent Indefinite Appropriations: OASI and DI Trust Funds and Title VIII. The OASI Trust Fund provides retirement and survivors benefits to qualified workers and their families. The DI Trust Fund provides disability benefits to individuals who cannot work because they have a medical condition expected to last one year or result in death. The authority remains available as long as there are qualified beneficiaries.

The Title VIII Program was established as part of Public Law 106-169, *Foster Care Independence Act of 1999*. It provides special benefits to World War II Philippine veterans receiving SSI, who wanted to spend their remaining years outside the U.S. Prior to the passage of Public Law 106-169, the veterans' SSI benefits would terminate the month after leaving the U.S. Under the new law, these veterans will receive 75 percent of their benefits. The authority remains available as long as there are qualified recipients.

Legal Arrangements Affecting Use of Unobligated Balances

During the year, the OASI and DI Trust Funds collect receipts and incur obligations. The receipts are primarily made up of tax and interest revenues. As beneficiaries pass the various entitlement tests prescribed by the *Social Security Act*, benefit payments and other outlays are obligated against the OASI and DI Trust Funds. During a given year, when receipts collected exceed the amount needed to pay benefits and other valid obligations, the excess authority becomes precluded by law from being available for obligations, as of September 30. While this amount is precluded from obligation at the end of one fiscal year, the excess receipts remain assets of the OASI and DI Trust Funds and can become available in future periods as needed.

Chart 15a provides an overview of fiscal year budgetary receipt and obligation information for the OASI and DI Trust Funds. SSA compares the current year receipts to the current year obligations incurred to determine the excess or shortfall for a fiscal year.

Chart 15a - OASI and DI Trust Fund Activities as of September 30:
(Dollars in Millions)

	2022			2021		
	OASI	DI	Total	OASI	DI	Total
Receipts	$ 1,041,099	$ 162,029	$ 1,203,128	$ 935,997	$ 144,413	$1,080,410
Less: Obligations	1,084,655	149,087	1,233,742	994,976	142,452	1,137,428
Excess/(Shortfall) of Receipts Over Obligations	$ (43,556)	$ 12,942	$ (30,614)	$ (58,979)	$ 1,961	$ (57,018)

The overall Net Position of the OASI and DI Trust Funds included in Net Position, on the Consolidated Statements of Changes in Net Position, are $2,636,348 and $93,293 million for the year ended September 30, 2022, compared to $2,680,969 and $80,479 million for the year ended September 30, 2021.

Undelivered Orders at the End of the Period

Undelivered orders consist of orders of goods and services that SSA has not actually or constructively received. The total undelivered orders contain unpaid undelivered orders and advances, with unpaid orders making up the majority of the total. Chart 15b provides the undelivered orders amount by Federal, non-Federal, paid, and unpaid.

CHART 15B - UNDELIVERED ORDERS AS OF SEPTEMBER 30:
(DOLLARS IN MILLIONS)

	2022			2021		
	Federal	Non-Federal	Total	Federal	Non-Federal	Total
Unpaid Undelivered Orders	$ 728	$ 2,164	$ 2,892	$ 777	$ 2,085	$ 2,862
Paid Undelivered Orders	119	0	119	108	0	108
Total Undelivered Orders	$ 847	$ 2,164	$ 3,011	$ 885	$ 2,085	$ 2,970

EXPLANATION OF DIFFERENCES BETWEEN THE COMBINED STATEMENT OF BUDGETARY RESOURCES AND THE BUDGET OF THE U.S. GOVERNMENT

SSA conducted a reconciliation of budgetary resources, new obligations and upward adjustments, distributed offsetting receipts, and net outlays as presented in the Combined Statements of Budgetary Resources, to amounts included in the Budget of the U.S. Government for the year ended September 30, 2021. All differences shown in the chart below are recognized as accepted differences. Expired activity is not included in the Budget of the U.S. Government. Distributed offsetting receipts are not included in the net outlay calculation within the Budget of the U.S. Government.

Chart 15c presents a reconciliation of budgetary resources, new obligations and upward adjustments, distributed offsetting receipts, and outlays as presented in the Combined Statements of Budgetary Resources, to amounts included in the Budget of the U.S. Government for the year ended September 30, 2021.

CHART 15C - EXPLANATION OF DIFFERENCES BETWEEN COMBINED STATEMENT OF BUDGETARY RESOURCES AND THE BUDGET OF THE U.S. GOVERNMENT FOR FY 2021:
(DOLLARS IN MILLIONS)

	Budgetary Resources	New Obligations and Upward Adjustments	Distributed Offsetting Receipts	Net Outlays
Combined Statement of Budgetary Resources	$ 1,254,486	$1,248,653	$ 37,293	$ 1,192,452
Expired activity not in President's Budget	(542)	0	0	0
Offsetting Receipts activity not in President's Budget	0	0	0	37,293
Other	(1)	(2)	(1)	1
Budget of the U.S. Government	$ 1,253,943	$1,248,651	$ 37,292	$ 1,229,746

A reconciliation has not been conducted for the year ended September 30, 2022 since the actual budget data for FY 2022 will not be available until the President's Budget is published. Once available, the actual budget data will be located on OMB's Appendix website.

16. Reconciliation of Net Cost to Net Outlays

Chart 16 presents a reconciliation between SSA's budgetary and financial accounting. Budgetary accounting is used for planning and spending control purposes. The net outlays portion of budgetary accounting focuses on the receipt and use of cash. Financial accounting is intended to provide a picture of the Government's financial operations and financial position, so it presents information on an accrual basis. The accrual basis includes information about costs arising from the consumption of assets and the incurrence of liabilities. The net costs portion of financial accounting focuses on expenses and revenue.

The reconciliation below shows the relationship between SSA's net outlays, presented on a budgetary cash basis and derived from the Combined Statements of Budgetary Resources, and net costs, presented on an accrual basis and derived from the Consolidated Statements of Net Cost, by identifying and explaining key items that affect one statement but not the other. Examples of this include transfers of authority, which affect net outlays but not net cost, or depreciation of capitalized assets that affect net cost, but not net outlays.

Chart 16 - Reconciliation of Net Cost to Net Outlays for the Years Ended September 30, 2022 and 2021
(Dollars in Millions)

	2022			2021		
	Intra-governmental	**With the Public**	**Total**	Intra-governmental	With the Public	Total
Net Cost	**$ 4,726**	**$ 1,289,721**	**$ 1,294,447**	$ 4,652	$ 1,189,520	$ 1,194,172
Components of Net Cost That Are Not Part of Net Outlays:						
Property, plant, and equipment depreciation	**0**	**(741)**	**(741)**	0	(673)	(673)
Increase/(decrease) in assets:						
Accounts receivable	**(110)**	**75**	**(35)**	482	(820)	(338)
Other assets	**10**	**0**	**10**	33	0	33
(Increase)/decrease in liabilities:						
Accounts payable	**25**	**37**	**62**	15	27	42
Benefits Due and Payable	**0**	**(15,379)**	**(15,379)**	0	(2,789)	(2,789)
Federal Employee and Veteran Benefits Payable	**0**	**40**	**40**	0	(11)	(11)
Other liabilities	**(278)**	**375**	**97**	561	(7)	554
Financing sources						
Imputed Costs	**(609)**	**0**	**(609)**	(594)	0	(594)
Total Components of Net Cost That Are Not Part of Net Outlays	**$ (962)**	**$ (15,593)**	**$ (16,555)**	$ 497	$ (4,273)	$ (3,776)
Components of Net Outlays That Are Not Part of Net Cost:						
Acquisition of capital assets	**0**	**1,199**	**1,199**	0	1,280	1,280
Financing Sources						
Transfers out(in) without reimbursement	**123**	**0**	**123**	(484)	0	(484)
Expenditure Transfers Collected/Disbursed	**2,557**	**0**	**2,557**	1,940	0	1,940
Total Components of Net Outlays That Are Not Part of Net Cost	**$ 2,680**	**$ 1,199**	**$ 3,879**	$ 1,456	$ 1,280	$ 2,736
Miscellaneous Items						
Custodial/Non-Exchange Revenue	**(54)**	**(96)**	**(150)**	(106)	(98)	(204)
Non-Entity Activity	**434**	**0**	**434**	(476)	0	(476)
Total Other Reconciling Items	**380**	**(96)**	**284**	(582)	(98)	(680)
Net Outlays	**$ 6,824**	**$ 1,275,231**	**$ 1,282,055**	$ 6,023	$ 1,186,429	$ 1,192,452

The $15,379 million increase in Benefits Due and Payable for the year ended September 30, 2022, is primarily related to amounts owed to program recipients that have not yet been paid as of the balance sheet date. The increased Benefits Due and Payable when comparing FY 2022 to FY 2021 is due primarily to a 5.9 percent Cost of Living Adjustment beneficiaries received in 2022 and an increase in the number of beneficiaries during FY 2022.

The $1,199 million in Acquisition of Capital Assets for the year ended September 30, 2022, primarily consists of capitalized costs associated with Internal Use Software. The purchases of assets are part of net outlays, but not part of net cost. For additional information, refer to Note 7, General Property, Plant, and Equipment, Net. The $2,557 million in Expenditure Transfers Disbursed for the year ended September 2022, is primarily related to disbursements from the OASI/DI Trust Funds to cover SSA's costs of the Railroad Retirement Interchange. The disbursements are part of net outlays, but not part of net cost. Refer to Note 9, Liabilities, for additional information on the Railroad Retirement Interchange.

For FY 2021, the $2,789 million increase in Benefits Due and Payable is primarily related to amounts owed to program recipients that have not yet been paid as of the balance sheet date. This accrued payable is included in net cost, but not included in net outlays. The $1,280 million in Acquisition of Capital Assets primarily consists of capitalized costs associated with Internal Use Software. The purchases of assets are part of net outlays, but not part of net cost. The $1,940 million in Expenditure Transfers Disbursed is primarily related to disbursements from the OASI/DI Trust Funds to cover SSA's costs of the Railroad Retirement Interchange. The disbursements are part of net outlays, but not part of net cost.

17. Social Insurance Disclosures

Statements of Social Insurance

The Statements of Social Insurance show the present value for the 75-year projection period of the estimated future noninterest income, estimated future cost, and the excess of income over cost for both the "open group" and "closed group" of participants. The open group of participants includes all current and future participants (including those born during the projection period) who are now participating or are expected to eventually participate in the OASDI social insurance program. The closed group of participants includes only current participants (i.e., those who attain age 15 or older in the first year of the projection period). The closed group disclosure is not relevant to the financial status because the program is financed largely on a pay-as-you-go basis.

Present values are computed based on the intermediate economic and demographic assumptions described in *The 2022 Annual Report of the Board of Trustees of the Federal Old-Age and Survivors Insurance and Federal Disability Insurance Trust Funds* (2022 Trustees Report) for the 75-year projection period beginning January 1, 2022. These assumptions represent the Trustees' reasonable estimate of likely future economic and demographic conditions. Similar present values are shown in the Statements of Social Insurance based on the prior four Trustees Reports reflecting present values on January 1 of the applicable year.

Estimated future noninterest income consists of payroll taxes from employers, employees, and self-employed persons; revenue from Federal income-taxation of scheduled OASDI benefits; and miscellaneous reimbursements from the General Fund of the Treasury. It does not include interest income on reserves held in the combined OASI and DI Trust Funds, because the present value calculation discounts all cash flows at the effective yield on OASI and DI Trust Fund reserves. The estimated future cost includes benefit amounts scheduled under current law, administrative expenses, and net transfers with the Railroad Retirement program.

The present value of the estimated future excess of noninterest income over cost is shown in the Statements of Social Insurance, not only for the open group of participants, but also for the closed group of participants. The closed group of participants consists of those who, have attained age 15 or older in the starting year of the projection period. This closed group is further divided into those who have attained retirement eligibility age (i.e., age 62 and over) in the starting year of the projection period and those who attained age 15 through 61 in the starting year of the projection period. The Statements of Social Insurance also present the present value of estimated future noninterest income less estimated future cost *plus* the combined OASI and DI Trust Fund reserves at the start of the period on both an open and closed group basis.

Combined OASI and DI Trust Fund reserves represent the accumulated excess of all past income, including interest on prior combined OASI and DI Trust Fund reserves, over all past expenditures for the OASDI program. The combined OASI and DI Trust Fund reserves as of January 1, 2022 totaled $2,852 billion and were comprised entirely of investment securities that are backed by the full faith and credit of the Federal Government.

The present value for a 75-year projection period of estimated future excess of noninterest income over cost, plus the combined OASI and DI Trust Fund reserves at the start of the period, is shown as a negative value. Its magnitude is commonly referred to as the "open group unfunded obligation" of the OASDI program over the 75-year projection period. This value is included in the applicable Trustees Report and is shown in the Report as a percentage of taxable payroll and as a percentage of gross domestic product (GDP) over the period.

Because the OASDI program lacks borrowing authority, the open group unfunded obligation represents the amount of benefits scheduled in the law that would not be payable in the years after the reserves in the combined OASI and DI Trust Funds become depleted. Thus, if the reserves in the combined OASI and DI Trust Funds become depleted, the amount of money available to pay benefits and other expenses would be limited to continuing noninterest income. Therefore, barring legislative action, this unfunded obligation represents a financial shortfall that would be accommodated by either paying benefits that are less than the amount scheduled or by delaying the payment of scheduled benefits.

ASSUMPTIONS USED FOR THE STATEMENTS OF SOCIAL INSURANCE

The present values used in this presentation for the current year (2022) are based on the full amounts of estimated noninterest income and the cost of providing benefits at the levels scheduled under current law, even after the OASI and DI Trust Fund reserves are depleted. Estimates are also based on various economic and demographic assumptions, including those in the following chart:

CHART 17A: SIGNIFICANT ASSUMPTIONS AND SUMMARY MEASURES USED FOR THE STATEMENT OF SOCIAL INSURANCE 2022

	Total Fertility Rate[1]	Age-Sex-Adjusted Death Rate[2] (per 100,000)	Period Life Expectancy At Birth[3]		Net Annual Immigration (persons per year)[4]	Real Wage Differential[5] (percentage points)	Annual Percentage Change In:				Average Annual Interest Rate[10]
			Male	Female			Average Annual Wage in Covered Employment[6]	CPI[7]	Total Employment[8]	Real GDP[9]	
2022	1.68	824.8	75.7	80.9	1,440,000	1.98	6.52	4.54	3.1	3.9	1.8%
2030	1.87	738.4	77.1	82.1	1,341,000	1.25	3.65	2.40	0.4	2.0	4.6%
2040	1.98	679.8	78.2	83.0	1,288,000	1.17	3.57	2.40	0.3	1.9	4.7%
2050	2.00	627.2	79.2	83.9	1,256,000	1.11	3.51	2.40	0.4	2.0	4.7%
2060	2.00	580.6	80.2	84.7	1,240,000	1.16	3.56	2.40	0.4	2.0	4.7%
2070	2.00	539.3	81.2	85.4	1,228,000	1.16	3.56	2.40	0.3	1.9	4.7%
2080	2.00	502.6	82.0	86.2	1,221,000	1.13	3.53	2.40	0.4	2.0	4.7%
2090	2.00	469.9	82.9	86.8	1,217,000	1.14	3.54	2.40	0.5	2.1	4.7%
2100[11]	2.00	440.6	83.7	87.5	1,215,000	1.15	3.55	2.40	0.4	2.0	4.7%

Notes:

1. The total fertility rate for any year is the average number of children that would be born to a woman if she were to experience, at each age of her life, the birth rate observed in, or assumed for, the selected year, and if she were to survive the entire childbearing period.
2. The age-sex-adjusted death rate is based on the enumerated total population as of April 1, 2010, if that population were to experience the death rates by age and sex observed in, or assumed for, the selected year. It is a summary measure and not a basic assumption; it summarizes the basic assumptions from which it is derived.
3. The period life expectancy at birth for a given year is the average number of years expected prior to death for a person born on January 1 in that year, using the mortality rates for that year over the course of his or her remaining life. It is a summary measure and not a basic assumption; it summarizes the effects of the basic assumptions from which it is derived.
4. Net annual immigration is the number of persons who enter during the year (both as lawful permanent residents and otherwise) minus the number of persons who leave during the year. It is a summary measure and not a basic assumption; it summarizes the effects of the basic assumptions from which it is derived.
5. The real wage differential is the annual percentage change in the average annual wage in covered employment less the annual percentage change in the Consumer Price Index for Urban Wage Earners and Clerical Workers (CPI-W). Values are rounded after all computations.
6. The average annual wage in covered employment is the total amount of wages and salaries for all employment covered by the OASDI program in a year, divided by the number of employees with any such earnings during the year. It is a summary measure and not a basic assumption; it summarizes the basic assumptions from which it is derived.
7. The CPI is CPI-W.
8. Total employment is total U.S. military and civilian employment. It is a summary measure and not a basic assumption; it summarizes the basic assumptions from which it is derived.
9. The real GDP is the value of the total output of goods and services in 2012 dollars. It is a summary measure and not a basic assumption; it summarizes the effects of the basic assumptions from which it is derived.
10. The average annual interest rate is the average of the nominal interest rates, compounded semiannually, for special public-debt obligations issuable to the OASI and DI Trust Funds in each of the 12 months of the year. After trust fund depletion, there would continue to be immediate investments of income in short-term certificates of indebtedness. The average annual interest rate is a summary measure and not a basic assumption; it summarizes the basic assumptions from which it is derived.
11. The valuation period used for the 2022 Statement of Social Insurance extends to 2096.

The present values used in the Statement of Social Insurance for the current year and in corresponding Statements in prior years are based on various economic and demographic assumptions. The values for each of these assumptions move from recently experienced levels or trends toward long-range ultimate values. These ultimate values are summarized in Chart 17b. Detailed information, similar to that denoted within Chart 17a, is available on our *Agency Financial Report* (AFR) website for the prior four years.

Chart 17b: Significant Long-Range Assumptions and Summary Measures Used for the Statements of Social Insurance for Current and Prior Years

Year of Statement	Total Fertility Rate[1]	Average Annual Percentage Reduction in the Age-Sex-Adjusted Death Rates[2]	Average Annual Net Immigration (persons per year)[3]	Average Annual Real Wage Differential[4] (percentage points)	Average Annual Percentage Change In: Average Annual Wage in Covered Employment[5]	Average Annual Percentage Change In: CPI[6]	Average Annual Percentage Change In: Total Employment[7]	Average Annual Real Interest Rate[8]
FY 2022	1.99	0.74	1,246,000	1.15	3.55	2.40	0.5	2.3
FY 2021	1.99	0.74	1,248,000	1.15	3.55	2.40	0.5	2.3
FY 2020	1.95	0.76	1,261,000	1.14	3.54	2.40	0.4	2.3
FY 2019	2.00	0.77	1,265,000	1.21	3.81	2.60	0.5	2.5
FY 2018	2.00	0.77	1,272,000	1.20	3.80	2.60	0.5	2.7

Notes:

1. The total fertility rate for any year is the average number of children that would be born to a woman if she were to experience, at each age of her life, the birth rate observed in, or assumed for, the selected year, and if she were to survive the entire childbearing period. For the Statements prior to 2021, the value presented is the ultimate total fertility rate. For the 2021 and 2022 Statements, the value shown is the average annual total fertility rate for the last 65 years of the 75-year projection period.
2. The age-sex-adjusted death rate is based on the enumerated total population as of a standard date if that population were to experience the death rates by age and sex observed in, or assumed for, the selected year. For each of the listed Statements, the standard date was April 1, 2010. It is a summary measure and not a basic assumption; it summarizes the basic assumptions from which it is derived. For the Statements prior to FY 2021, the value presented is the average annual percentage reduction for each 75-year projection period. For the 2021 and 2022 Statements, the value shown is the average annual percentage reduction for the last 65 years of the 75-year projection period.
3. Net annual immigration is the number of persons who enter during the year (both as lawful permanent residents and otherwise) minus the number of persons who leave during the year. The value in the chart is a summary measure and not a basic assumption; it summarizes the basic assumptions from which it is derived. For the Statements prior to FY 2021, the value shown is the average net immigration level projected for the 75-year projection period. For the 2021 and 2022 Statements, the value presented is the average net immigration level projected for the last 65 years of the 75-year projection period.
4. The annual real wage differential is the annual percentage change in the average annual wage in covered employment less the annual percentage change in the CPI-W. The value presented is the average of annual real wage differentials for the last 65 years of the 75-year projection period.
5. The average annual wage in covered employment is the total amount of wages and salaries for all employment covered by the OASDI program in a year divided by the number of employees with any such earnings during the year. It is a summary measure and not a basic assumption; it summarizes the basic assumptions from which it is derived. The value presented is the average annual percentage change from the 10th year of the 75-year projection period to the 75th year.
6. The CPI is the CPI-W. The ultimate assumption is reached within the first 10 years of the projection period.
7. Total employment is total U.S. military and civilian employment. It is a summary measure and not a basic assumption; it summarizes the basic assumptions from which it is derived. The average annual percentage change in total employment is for the entire 75-year projection period. The annual rate of increase tends to decline through the period reflecting the slowing growth rate of the working-age population. Thus, no ultimate rate of change is achieved.
8. The average annual real interest rate reflects the expected annual real yield for each year on securities issuable in the prior year. The ultimate rate is reached within the first 11 years of the projection period.

These assumptions and the other values on which Chart 17b is based reflect the intermediate assumptions of the 2018–2022 Trustees Reports. The values shown in the FY 2022 row of Chart 17b are consistent with the data shown in Chart 17a. Estimates made prior to this year may differ substantially because of revisions to the assumptions based on changes in conditions or experience, and to changes in actuarial methodology. It is reasonable to expect changes to actuarial assumptions and methodology in future reports. At this time, given the unprecedented level of uncertainty about the lasting effects of the COVID-19 pandemic, the individual long-range ultimate assumptions do not reflect any net effects due to the pandemic.

The *Required Supplementary Information: Social Insurance* section of this report contains additional information on social insurance.

STATEMENTS OF CHANGES IN SOCIAL INSURANCE AMOUNTS

The Statements of Changes in Social Insurance Amounts reconcile changes, from the beginning of one 75-year valuation period to the next, in the: (1) present value of estimated future noninterest income less estimated future cost for current and future participants (the open group measure) over the next 75 years; (2) starting reserves of the combined OASI and DI Trust Funds; and (3) present value of estimated future noninterest income less estimated future cost for current and future participants over the next 75 years plus the reserves of the combined OASI and DI Trust Funds. These values are included in the Statements of Social Insurance. The Statements of Changes in Social Insurance Amounts show two reconciliations: (1) change from the period beginning on January 1, 2021 to the period beginning on January 1, 2022; and (2) change from the period beginning on January 1, 2020 to the period beginning on January 1, 2021. The reconciliation identifies several changes that are significant and provides reasons for the changes.

The five changes considered in the Statements of Changes in Social Insurance Amounts are, in order:

- Change in the valuation period;
- Changes in demographic data, assumptions, and methods;
- Changes in economic data, assumptions, and methods;
- Changes in programmatic data and methods; and
- Changes in law or policy.

All estimates in the Statements of Changes in Social Insurance Amounts represent values that are incremental to the prior change. As an example, the present values shown for economic data, assumptions, and methods represent the additional effect of these new data, assumptions, and methods after considering the effects from demography and the change in the valuation period. In general, an increase in the present value of net cash flows represents a positive change (improving financing), while a decrease in the present value of net cash flows represents a negative change (worsening financing).

CHANGE IN THE VALUATION PERIOD

From the period beginning on January 1, 2021 to the period beginning on January 1, 2022

The effect on the 75-year present values of changing the valuation period from the prior valuation period (2021–2095) to the current valuation period (2022–2096) is measured by using the assumptions for the prior valuation and extending them to cover the current valuation. Changing the valuation period removes a small negative estimated net cash flow for 2021, replaces it with a much larger negative estimated net cash flow for 2096, and measures the present values as of January 1, 2022, one year later. Thus, the present value of estimated future net cash flows (excluding the combined OASI and DI Trust Fund reserves at the start of the period) decreased (i.e., became more negative) when the 75-year valuation period changed from 2021–2095 to 2022–2096. In addition, the effect on the level of reserves in the combined OASI and DI Trust Funds of changing the valuation period is measured by assuming all values projected in the prior valuation for the year 2021 are realized. The change in valuation period decreased the starting level of reserves in the combined OASI and DI Trust Funds. As a result, the present value of the estimated future net cash flows decreased by $0.7 trillion.

From the period beginning on January 1, 2020 to the period beginning on January 1, 2021

The effect on the 75-year present values of changing the valuation period from the prior valuation period (2020–2094) to the current valuation period (2021–2095) is measured by using the assumptions for the prior valuation and extending them to cover the current valuation. Changing the valuation period removes a small negative estimated net cash flow for 2020, replaces it with a much larger negative estimated net cash flow for 2095, and measures the present values as of January 1, 2021, one year later. Thus, the present value of estimated future net cash flows (excluding the combined OASI and DI Trust Fund reserves at the start of the period) decreased (i.e., became more negative) when the 75-year valuation period changed from 2020–2094 to 2021–2095. In addition, the effect on the level of reserves in the combined OASI and DI Trust Funds of changing the valuation period is measured by assuming all values projected in the prior valuation for the year 2020 are realized. The change in valuation period decreased the starting level of reserves in the combined OASI and DI Trust Funds. As a result, the present value of the estimated future net cash flows decreased by $0.7 trillion.

Changes in Demographic Data, Assumptions, and Methods

From the period beginning on January 1, 2021 to the period beginning on January 1, 2022

The ultimate demographic assumptions for the current valuation (beginning on January 1, 2022) are the same as those for the prior valuation. However, the starting demographic values and the way these values transition to the ultimate assumptions were changed.

- Final birth rate data for calendar year 2020 indicated slightly lower birth rates than were assumed in the prior valuation.
- Near-term lawful permanent resident (LPR) immigration data were updated since the prior valuation; near-term LPR immigration assumptions were also updated to better reflect the expected effects of the recovery from the pandemic.
- Historical population data and other-than-LPR immigration data were updated since the prior valuation.

Incorporating new birth rate data, changes to near-term LPR immigration data and assumptions, and changes to historical population and other-than-LPR immigration assumptions all decreased the present value of the estimated future net cash flows.

There was one notable change in demographic methodology. An improvement was made to put more emphasis on recent mortality data by increasing the weights for the most recent years in the regressions used to calculate the starting rates of improvement and starting death rates. This change decreased the present value of the estimated future net cash flows.

Overall, changes in demographic data, assumptions, and methods caused the present value of the estimated future net cash flows to decrease by $0.3 trillion.

From the period beginning on January 1, 2020 to the period beginning on January 1, 2021

For the current valuation (beginning on January 1, 2021), there were two changes to the ultimate demographic assumptions and an associated change in methodology.

- The ultimate total fertility rate was increased from 1.95 to 2.00 children per woman. At the same time, the projection method was improved to project future birth rates using a cohort-based model, rather than a period-based model as used in the prior valuation.

- A cause of death category was added, by separating dementia out from the all-other-causes category, and ultimate mortality improvement rates were updated for cardiovascular disease for all age groups and for the all-other-causes category at ages 85 and over.

The combined effect of the change in the ultimate total fertility rate and the new cohort-based fertility model decreased the present value of estimated future net cash flows. The changes to ultimate mortality improvement rates increased the present value of estimated future net cash flows.

In addition to these changes in ultimate demographic assumptions and the associated methodology change, the starting demographic values and the way these values transition to the ultimate assumptions were changed. The most significant changes are identified below.

- Birth rate data through the third quarter of 2020 indicated somewhat lower birth rates than were assumed in the prior valuation.
- Death rates were increased significantly for 2020 and 2021, and to a lesser extent for 2022 and 2023, to account for the elevated deaths during the COVID-19 pandemic period.

Incorporating new birth rate data decreased the present value of the estimated future net cash flows. Higher historical and near-term death rates due to the COVID-19 pandemic increased the present value of the estimated future net cash flows.

There were no additional notable changes in demographic methodology. Overall, changes in demographic data, assumptions, and methods caused the present value of the estimated future net cash flows to increase by $0.2 trillion.

CHANGES IN ECONOMIC DATA, ASSUMPTIONS, AND METHODS

From the period beginning on January 1, 2021 to the period beginning on January 1, 2022

The ultimate economic assumptions for the current valuation (beginning on January 1, 2022) are the same as those for the prior valuation. However, the starting economic values and the way these values transition to the ultimate assumptions were changed. The most significant changes are identified below.

- Near-term real interest rates are assumed to be slightly higher on average than those for the prior valuation reflecting the strong recovery from the pandemic-induced recession.
- Economic starting values and near-term growth assumptions were updated to reflect the stronger-than-expected recovery from the pandemic-induced recession.
- The level of potential GDP for years 2021 and later is assumed to be about 1.1 percent higher than the level in the prior valuation, reflecting the strong recovery and the expectation of a permanent level shift in total economy labor productivity.

The changes to near-term real interest rates and the resulting effects on present value calculations decreased the present value of the estimated future net cash flows, while changes to starting values and near-term economic growth assumptions and the level shift in the assumptions for potential GDP increased the present value of the estimated future net cash flows.

There were no additional notable changes in economic methodology. Overall, changes to economic data, assumptions, and methods caused the present value of the estimated future net cash flows to decrease by $0.2 trillion.

From the period beginning on January 1, 2020 to the period beginning on January 1, 2021

For the current valuation (beginning on January 1, 2021), there were two changes to the ultimate economic assumptions and an associated change in methodology.

- The ultimate average real wage differential was slightly increased from 1.14 percentage points in the prior valuation to 1.15 percentage points in the current valuation. Additionally, the real wage differential assumptions for the first ten years of the projection period were also increased.
- The ultimate age-sex-adjusted unemployment rate was reduced from 5.0 percent for the prior valuation to 4.5 percent in the current valuation. At the same time, the labor force participation model was updated to incorporate data from the latest complete economic cycle, thereby putting more weight on the recent relationships among the various factors affecting labor force participation.

The higher real wage differential and the combined changes to the unemployment assumption and the labor force methodology both increased the present value of estimated future net cash flows.

In addition to these changes in ultimate economic assumptions and the associated methodology change, the starting economic values and the way these values transition to the ultimate assumptions were changed. The most significant changes are identified below.

- Near-term real interest rates were adjusted downward significantly. Real interest rates are now assumed to be negative for calendar years 2021 through 2024, with a gradual rise to the ultimate real interest rate after the economy has fully recovered from the recession.
- There were several changes in starting values and near-term economic growth assumptions primarily related to the COVID-19 pandemic and ensuing recession. In particular, the level of potential GDP is assumed to be roughly 1 percent lower than the level in the prior valuation beginning with the second quarter of 2020.

The changes to near-term real interest rates and the starting values and near-term economic growth assumptions decreased the present value of the estimated future net cash flows. The change to near-term real interest rates alone decreased the present value of the estimated future net cash flows by $0.8 trillion.

There were no additional notable changes in economic methodology. Overall, changes to economic data, assumptions, and methods caused the present value of the estimated future net cash flows to decrease by $1.2 trillion.

Changes in Programmatic Data and Methods

From the period beginning on January 1, 2021 to the period beginning on January 1, 2022

Several methodological improvements and updates of program-specific data are included in the current valuation (beginning on January 1, 2022). The most significant are identified below.

- The ultimate disability incidence rate was lowered from 5.0 per thousand exposed in the prior valuation to 4.8 in the current valuation. In addition, recent disability data and changes to the near-term disability incidence assumptions were incorporated.
- As in the prior valuation, the current valuation uses a 10 percent sample of all newly entitled worker beneficiaries in a recent year to project average benefit levels of retired-worker and disabled-worker beneficiaries. The sample used for the current valuation is for worker beneficiaries newly entitled in 2018, one year later than the 2017 sample used for the prior valuation.
- Recent data and estimates provided by the Office of Tax Analysis at Treasury indicate higher near-term and ultimate levels of revenue from taxation of OASDI benefits than projected in the prior valuation.
- Updates were made to the post-entitlement benefit adjustment factors. These factors are used to account for changes in benefit levels, primarily due to differential mortality by benefit level and earnings after benefit entitlement.

Lowering the disability incidence rate, the updated sample year, and the higher revenue from taxation of benefits increased the present value of estimated cash flows, while the updated post-entitlement factors decreased the present value of estimated cash flows. Overall, changes to programmatic data and methods caused the present value of the estimated future net cash flows to increase by $0.6 trillion.

From the period beginning on January 1, 2020 to the period beginning on January 1, 2021

The current valuation (beginning on January 1, 2021) includes several methodological improvements and updates of program-specific data. The most significant improvements and updates are identified below.

- As in the prior valuation, the current valuation uses a 10 percent sample of all newly entitled worker beneficiaries in a recent year to project average benefit levels of retired-worker and disabled-worker beneficiaries. The sample used for the current valuation is for worker beneficiaries newly entitled in 2017, one year later than the 2016 sample used for the prior valuation. There was also an improvement made to the average benefits model to assign projected earnings by age of initial entitlement, better reflecting the change between historical and projected retired worker distributions by entitlement age.
- Recent data and estimates provided by the Office of Tax Analysis at Treasury indicate lower near-term and ultimate levels of revenue from taxation of OASDI benefits than projected in the prior valuation.
- The methodology for projecting retroactive benefits for retired workers was improved to better capture the different rules for workers who become newly entitled prior to normal retirement age versus those who become entitled at or after normal retirement age.

All three of these methodological improvements decreased the present value of estimated cash flows. Overall, changes to programmatic data and methods caused the present value of the estimated future net cash flows to decrease by $1.2 trillion.

Changes in Law or Policy

From the period beginning on January 1, 2021 to the period beginning on January 1, 2022

Between the prior valuation (the period beginning on January 1, 2021) and the current valuation (the period beginning on January 1, 2022), no notable changes in law or policy are expected to have a significant effect on the long-range cost of the OASDI program.

From the period beginning on January 1, 2020 to the period beginning on January 1, 2021

Between the prior valuation (the period beginning on January 1, 2020) and the current valuation (the period beginning on January 1, 2021), one change in policy is expected to have a significant effect on the long-range cost of the OASDI program.

> On January 20, 2021, President Biden issued a memorandum directing the Secretary of Homeland Security to take appropriate action, in consultation with the Attorney General, to preserve and fortify the Deferred Action for Childhood Arrivals (DACA) policy consistent with applicable law. This change to preserve DACA extends indefinitely the ability of those qualifying to remain in the country and work lawfully. The effect over the next 75 years is to increase future benefits slightly more than future payroll tax revenue because: (1) a significant portion of the payroll taxes from this group has already been credited to the OASI and DI Trust Funds, while the vast majority of the OASDI benefits they will earn will be in the future, dependent on their preserving DACA status; and (2) currently scheduled payroll tax rates are not sufficient to fully finance future benefits for this group and in general.

The change to preserve DACA indefinitely decreased the present value of estimated future net cash flows by less than $0.1 trillion.

ASSUMPTIONS USED FOR THE STATEMENTS OF CHANGES IN SOCIAL INSURANCE AMOUNTS

The present values included in the Statements of Changes in Social Insurance Amounts are for the current and prior years and are based on various economic and demographic assumptions used for the intermediate assumptions in the Trustees Reports for those years. Chart 17a summarizes these assumptions for the current year. Our AFR website provides tabulated assumptions for the prior year in a similar manner.

PERIOD BEGINNING ON JANUARY 1, 2021 AND ENDING JANUARY 1, 2022

Present values as of January 1, 2021 are calculated using interest rates from the intermediate assumptions of the 2021 Trustees Report. All other present values in this part of the Statement are calculated as a present value as of January 1, 2022. Estimates of the present value of changes in social insurance amounts due to changing the valuation period and changing demographic data, assumptions, and methods are presented using the interest rates under the intermediate assumptions of the 2021 Trustees Report. Because interest rates are an economic estimate and all estimates in the chart are incremental to the prior change, all other present values in this part of the Statement are calculated using the interest rates under the intermediate assumptions of the 2022 Trustees Report.

PERIOD BEGINNING ON JANUARY 1, 2020 AND ENDING JANUARY 1, 2021

Present values as of January 1, 2020 are calculated using interest rates from the intermediate assumptions of the 2020 Trustees Report. All other present values in this part of the Statement are calculated as a present value as of January 1, 2021. Estimates of the present value of changes in social insurance amounts due to changing the valuation period and changing demographic data, assumptions, and methods are presented using the interest rates under the intermediate assumptions of the 2020 Trustees Report. Because interest rates are an economic estimate and all estimates in the chart are incremental to the prior change, all other present values in this part of the Statement are calculated using the interest rates under the intermediate assumptions of the 2021 Trustees Report.

18. RECLASSIFICATION OF THE STATEMENT OF NET COST FOR THE FEDERAL FINANCIAL REPORT COMPILATION PROCESS

To prepare the *Financial Report of the U.S. Government* (FR), Treasury requires agencies to submit in the Government-wide Treasury Account Symbol Adjusted Trial Balance System (GTAS) an adjusted trial balance, which lists the amounts by U.S. Standard General Ledger accounts that appear in the agency financial statements. Treasury uses the trial balance reported in GTAS to develop a reclassified Balance Sheet, Statement of Net Cost, and Statement of Changes in Net Position for each agency. Treasury eliminates all intragovernmental balances from the reclassified statements and aggregates lines with the same title to compile to the FR statements. SSA presents the Consolidated Balance Sheets, Statements of Changes in Net Position, and Note 10, Funds from Dedicated Collections in compliance with the required format in OMB's Circular No. A-136. Therefore, per OMB’s guidance, SSA is not required to compile a reclassified Balance Sheet and Statement of Changes in Net Position. This note includes the Statement of Net Cost line items and the reclassified statement line items prior to Treasury’s elimination of intragovernmental differences and aggregation of FR lines. The term “intragovernmental” is used in this note to refer to amounts that result from other components of the Federal Government. The term “non-Federal” is used in this note to refer to Federal Government amounts that result from transactions with non-Federal entities. These include transactions with individuals, businesses, non-profit entities, and State, local, and foreign governments. A copy of the FY 2021 FR is available on Treasury’s website and a copy of the FY 2022 FR will be posted to this site as soon as it is released.

SSA's FY 2022 reconciliation of agency Statement of Net Cost amounts to Treasury's reclassified statement is included in Chart 18.

Chart 18 - Reclassification of Statement of Net Cost to Line Items Used for the Government-wide Statement of Net Cost for the Year Ended September 30, 2022

(Dollars in Millions)

FY 2022 Statement of Net Cost		Line Items Used to Prepare FY 2022 Government-wide Statement of Net Cost			
Financial Statement Line	**Amount**	**Dedicated Collections**	**Other than Dedicated Collections**	**Total**	**Reclassified Financial Statement Line**
Benefit Payment Expense	**$ 1,279,966**				
Operating Expenses (Note 11)	**14,801**				
		$ 1,221,614	**$ 68,382**	**$ 1,289,996**	Non-Federal Costs
					Intragovernmental Costs
			1,474	**1,474**	Benefit Program Costs
			609	**609**	Imputed Costs
		709	**1,617**	**2,326**	Buy/Sell Costs
			362	**362**	Other Expenses (without Reciprocals)
		709	**4,062**	**4,771**	Total Intragovernmental Costs
Total Cost	**1,294,767**	**1,222,323**	**72,444**	**1,294,767**	Total Reclassified Gross Costs
		(168)	**(107)**	**(275)**	Non-Federal Earned Revenue
			(45)	**(45)**	Buy/Sell Revenue
Less: Exchange Revenues (Note 12)	**(320)**	**(168)**	**(152)**	**(320)**	Total Reclassified Earned Revenue
Total Net Cost	**$ 1,294,447**	**$ 1,222,155**	**$ 72,292**	**$ 1,294,447**	**Net Cost**

Note:

* The chart above does not contain any columns for eliminations as SSA does not have eliminations within our Statement of Net Cost.

Other Information: Balance Sheet by Major Program
as of September 30, 2022
(Dollars in Millions)

Assets	OASI	DI	SSI	Other	LAE	Intra-Agency Eliminations	Consolidated
Intragovernmental:							
Fund Balance with Treasury	$ 29	$ 12	$ 7,758	$ 104	$ 41	$ 0	$ 7,944
Investments	2,738,837	115,365	0	0	0	0	2,854,202
Accounts Receivable, Net	371	0	0	0	3,810	(2,955)	1,226
Advances and Prepayments	0	0	73	0	46	0	119
Total Intragovernmental	2,739,237	115,377	7,831	104	3,897	(2,955)	2,863,491
With the Public							
Accounts Receivable, Net	2,064	2,897	4,199	0	41	(519)	8,682
General Property, Plant, and Equipment, Net	0	0	0	0	4,830	0	4,830
Total with the Public	2,064	2,897	4,199	0	4,871	(519)	13,512
Total Assets	$2,741,301	$ 118,274	$ 12,030	$ 104	$ 8,768	$ (3,474)	$ 2,877,003
Liabilities							
Intragovernmental:							
Accounts Payable	$ 6,319	$ 758	$ 1,306	$ 34	$ 24	$ (2,955)	$ 5,486
Other Liabilities	0	0	3,986	3	84	0	4,073
Total Intragovernmental	6,319	758	5,292	37	108	(2,955)	9,559
With the Public							
Accounts Payable	0	4	216	0	47	0	267
Federal Employee and Veteran Benefits Payable	0	0	0	0	675	0	675
Benefits Due and Payable	98,634	24,219	3,868	0	0	(519)	126,202
Advances from Others and Deferred Revenue	0	0	11	0	2	0	13
Other Liabilities	0	0	19	1	104	0	124
Total with the Public	98,634	24,223	4,114	1	828	(519)	127,281
Total Liabilities	$ 104,953	$ 24,981	$ 9,406	$ 38	$ 936	$ (3,474)	$ 136,840
Commitments and Contingencies (Note 9)							
Net Position							
Unexpended Appropriations - Funds from other than Dedicated Collections	$ 0	$ 0	$ 4,791	$ 66	$ 5	$ 0	$ 4,862
Cumulative Results of Operations - Funds from Dedicated Collections	2,636,348	93,293	9	0	0	0	2,729,650
Cumulative Results of Operations - Funds from other than Dedicated Collections	0	0	(2,176)	0	7,827	0	5,651
Total Cumulative Results of Operations	2,636,348	93,293	(2,167)	0	7,827	0	2,735,301
Total Net Position	$2,636,348	$ 93,293	$ 2,624	$ 66	$ 7,832	$ 0	$ 2,740,163
Total Liabilities and Net Position	$2,741,301	$ 118,274	$ 12,030	$ 104	$ 8,768	$ (3,474)	$ 2,877,003

Other Information: Schedule of Net Cost
for the Year Ended September 30, 2022
(Dollars in Millions)

	Program	LAE	Total
OASI Program			
Benefit Payment Expense	$ 1,075,126	$ 0	$ 1,075,126
Operating Expenses	625	3,584	4,209
Total Cost of OASI Program	1,075,751	3,584	1,079,335
Less: Exchange Revenues	(1)	(15)	(16)
Net Cost of OASI Program	$ 1,075,750	$ 3,569	$ 1,079,319
DI Program			
Benefit Payment Expense	$ 146,259	$ 0	$ 146,259
Operating Expenses	313	2,610	2,923
Total Cost of DI Program	146,572	2,610	149,182
Less: Exchange Revenues	(20)	(11)	(31)
Net Cost of DI Program	$ 146,552	$ 2,599	$ 149,151
SSI Program			
Benefit Payment Expense	$ 58,581	$ 0	$ 58,581
Operating Expenses	246	4,512	4,758
Total Cost of SSI Program	58,827	4,512	63,339
Less: Exchange Revenues	(242)	(19)	(261)
Net Cost of SSI Program	$ 58,585	$ 4,493	$ 63,078
Other			
Operating Expenses	$ 0	$ 2,911	$ 2,911
Less: Exchange Revenues	0	(12)	(12)
Net Cost of Other Program	$ 0	$ 2,899	$ 2,899
Total Net Cost			
Benefit Payment Expense	$ 1,279,966	$ 0	$ 1,279,966
Operating Expenses	1,184	13,617	14,801
Total Cost	1,281,150	13,617	1,294,767
Less: Exchange Revenues	(263)	(57)	(320)
Total Net Cost	$ 1,280,887	$ 13,560	$ 1,294,447

Other Information: Schedule of Changes in Net Position for the Year Ended September 30, 2022
(Dollars in Millions)

	OASI	DI	SSI	SSI	Other	Other
	Funds from Dedicated Collections	Funds from Dedicated Collections	Funds from Dedicated Collections	Funds from other than Dedicated Collections	Funds from Dedicated Collections	Funds from other than Dedicated Collections
Unexpended Appropriations:						
Beginning Balances	$ 0	$ 0	$ 0	$ 4,818	$ 0	$ 67
Appropriations Received	0	0	0	65,514	48,502	35
Other Adjustments	0	0	0	(2)	0	(8)
Appropriations Used	0	0	0	(65,539)	(48,502)	(28)
Net Change in Unexpended Appropriations	0	0	0	(27)	0	(1)
Total Unexpended Appropriations - Ending	0	0	0	4,791	0	66
Cumulative Results of Operations:						
Beginning Balances	$ 2,680,969	$ 80,479	$ 0	$ (1,908)	$ 0	$ 0
Appropriations Used	0	0	0	65,539	48,502	28
Non-Exchange Revenue						
Tax Revenues	929,042	157,816	0	0	0	0
Interest Revenues	64,137	2,716	0	0	0	0
Other	1	0	0	0	0	0
Total Non-Exchange Revenue	993,180	160,532	0	0	0	0
Transfers In/Out - Without Reimbursement	37,949	(1,166)	(138)	(6,657)	(48,502)	2,222
Imputed Financing Sources	0	0	0	17	0	0
Other	0	0	0	(435)	0	(2,250)
Net Cost of Operations	1,075,750	146,552	(147)	58,732	0	0
Net Change	(44,621)	12,814	9	(268)	0	0
Cumulative Results of Operations - Ending	$ 2,636,348	$ 93,293	$ 9	$ (2,176)	$ 0	$ 0
Net Position	$ 2,636,348	$ 93,293	$ 9	$ 2,615	$ 0	$ 66

Other Information: Schedule of Changes in Net Position for the Year Ended September 30, 2022 (Continued)
(Dollars in Millions)

	LAE	Consolidated		Consolidated
	Funds from other than Dedicated Collections	Funds from Dedicated Collections	Funds from other than Dedicated Collections	Total
Unexpended Appropriations:				
Beginning Balances	$ 4	$ 0	$ 4,889	$ 4,889
Appropriations Received	31	48,502	65,580	114,082
Other Adjustments	(1)	0	(11)	(11)
Appropriations Used	(29)	(48,502)	(65,596)	(114,098)
Net Change in Unexpended Appropriations	1	0	(27)	(27)
Total Unexpended Appropriations - Ending	5	0	4,862	4,862
Cumulative Results of Operations:				
Beginning Balances	$ 7,362	$ 2,761,448	$ 5,454	$ 2,766,902
Appropriations Used	29	48,502	65,596	114,098
Non-Exchange Revenue				
Tax Revenues	0	1,086,858	0	1,086,858
Interest Revenues	0	66,853	0	66,853
Other	0	1	0	1
Total Non-Exchange Revenue	0	1,153,712	0	1,153,712
Transfers In/Out Without Reimbursement	13,404	(11,857)	8,969	(2,888)
Imputed Financing Sources	592	0	609	609
Other	0	0	(2,685)	(2,685)
Net Cost of Operations	13,560	1,222,155	72,292	1,294,447
Net Change	465	(31,798)	197	(31,601)
Cumulative Results of Operations - Ending	$ 7,827	$ 2,729,650	$ 5,651	$ 2,735,301
Net Position	$ 7,832	$ 2,729,650	$ 10,513	$ 2,740,163

Required Supplementary Information: Combining Schedule of Budgetary Resources for the Year Ended September 30, 2022
(Dollars in Millions)

	OASI	DI	SSI	Other	LAE	Combined
Budgetary Resources (Note 15)						
Unobligated Balance From Prior Year Budget Authority, Net	$ 154	$ 9	$ 4,978	$ 59	$ 1,220	$ 6,420
Appropriations (Discretionary and Mandatory)	1,084,501	149,078	65,652	48,537	31	1,347,799
Spending Authority from Offsetting Collections (Discretionary and Mandatory)	0	0	2,835	0	13,478	16,313
Total Budgetary Resources	$ 1,084,655	$ 149,087	$ 73,465	$ 48,596	$ 14,729	$ 1,370,532
Status of Budgetary Resources						
New obligations and upward adjustments						
Direct	$ 1,084,655	$ 149,087	$ 65,796	$ 48,530	$ 13,826	$ 1,361,894
Reimbursable	0	0	3,025	0	68	3,093
New obligations and upward adjustments (total)	1,084,655	149,087	68,821	48,530	13,894	1,364,987
Unobligated Balance , End of Year						
Apportioned, unexpired accounts	0	0	4,517	37	432	4,986
Unapportioned, unexpired accounts	0	0	124	0	9	133
Unexpired unobligated balance, end of year	0	0	4,641	37	441	5,119
Expired unobligated balance, end of year	0	0	3	29	394	426
Unobligated balance, end of year (total)	0	0	4,644	66	835	5,545
Total Budgetary Resources	$ 1,084,655	$ 149,087	$ 73,465	$ 48,596	$ 14,729	$ 1,370,532
Outlays, Net						
Outlays, Net (Discretionary and Mandatory)	$ 1,073,223	$ 145,392	$ 65,846	$ 48,535	$ 83	$ 1,333,079
Distributed Offsetting Receipts	(46,977)	(1,555)	(242)	(2,250)	0	(51,024)
Agency Outlays, Net (Discretionary and Mandatory)	$ 1,026,246	$ 143,837	$ 65,604	$ 46,285	$ 83	$ 1,282,055

REQUIRED SUPPLEMENTARY INFORMATION: SOCIAL INSURANCE

PROGRAM DESCRIPTION

The Old-Age, Survivors, and Disability Insurance (OASDI) program, collectively referred to as “Social Security,” provides cash benefits for eligible U.S. citizens and residents. At the end of calendar year 2021, the Social Security Administration paid OASDI benefits to about 65 million beneficiaries. The laws applicable for the period determine eligibility and benefit amounts. Current law provides that monthly benefit payments for workers and their eligible dependents or survivors are based on workers’ lifetime earnings histories.

The OASDI program is financed largely on a pay-as-you-go basis--that is, OASDI payroll taxes paid each year by current workers are primarily used to pay the benefits provided during that year to current beneficiaries. The retired worker benefits it pays replace a larger proportion of earned income for lower earners than for higher earners. Changes in laws governing the program may alter the amount of OASDI income (e.g., payroll taxes) and benefits.

PROGRAM FINANCES AND SUSTAINABILITY

As discussed in Note 9 to the Consolidated Financial Statements, “Benefits Due and Payable” on the balance sheet for unpaid amounts of OASDI benefits due to recipients on or before that date includes a liability of approximately $122 billion as of September 30, 2022 ($107 billion as of September 30, 2021). We paid virtually all of this amount in October 2022. Also, the “investments in Treasury securities” recognizes an asset of $2,838 billion as of September 30, 2022 ($2,854 billion as of September 30, 2021). These investments are the combined OASI and DI Trust Fund asset reserves, and represent the accumulated excess for the OASDI program of all past income, including interest, over all past expenditures. They are invested only in securities backed by the full faith and credit of the Federal Government (see Investments and Interest Receivable, Note 5).

No liability has been recognized on the balance sheet for future payments to be made to current and future program participants beyond the unpaid amounts as of September 30, 2022 because OASDI is accounted for as a social insurance program rather than as a pension program. Accounting for a social insurance program recognizes the expense of benefits when they are actually paid or are due to be paid because benefit payments are nonexchange transactions and are not considered deferred compensation as would be employer-sponsored pension benefits for employees. Accrual accounting for a pension program, by contrast, recognizes as a liability retirement benefit expenses as they are earned so that the full estimated actuarial present value of the worker’s expected retirement benefits has been recognized by the time the worker retires.

REQUIRED SUPPLEMENTARY INFORMATION - While there is no liability on the balance sheet for future obligations beyond those due at the reporting date, we present actuarial estimates of the long-range financial status of the OASDI program. Throughout this section, the following terms will generally be used as indicated:

- **INCOME**: payroll taxes from employers, employees, and self-employed persons; revenue from Federal income tax on scheduled OASDI benefits; interest income from Treasury securities held as reserves of the OASI and DI Trust Funds; and miscellaneous reimbursements from the General Fund of the Treasury;
- **INCOME EXCLUDING INTEREST (NONINTEREST INCOME)**: income, as defined above, excluding the interest income from Treasury securities held as reserves of the OASI and DI Trust Funds;
- **COST**: scheduled benefit payments, administrative expenses, net transfers with the Railroad Retirement program, and vocational rehabilitation expenses for disabled beneficiaries;
- **CASH FLOW**: depending on the context, either income, noninterest income, or cost;

- **NET CASH FLOW**: noninterest income less cost; and
- **PRESENT VALUE**: the equivalent value, as of a specified point in time and adjusted using a specified interest rate, of a future stream of payments (either income or cost). The present value of a future stream of payments may be thought of as the lump-sum amount that, if invested at the specified interest rate as of the specified point in time, together with interest earnings would be just enough to meet each of the obligations as they fall due.

All estimates in this section are based on the 75-year projections under the intermediate assumptions in *The 2022 Annual Report of the Board of Trustees of the Federal Old-Age and Survivors Insurance and Federal Disability Insurance Trust Funds* (2022 Trustees Report) (see Note 17 to the Statements of Social Insurance). The Statements of Social Insurance, the Statements of Changes in Social Insurance Amounts, and the required supplementary information below are derived from estimates of future income and cost based on these assumptions and on the current *Social Security Act*, including future changes previously enacted. The information provided in this section includes:

(1) Present values of future estimated cost for, and estimated income (excluding interest) from, or on behalf of, current and future program participants;

(2) Estimated annual income, income (excluding interest), and cost as percentages of taxable payroll and gross domestic product (GDP);

(3) The ratio of estimated covered workers to estimated beneficiaries; and

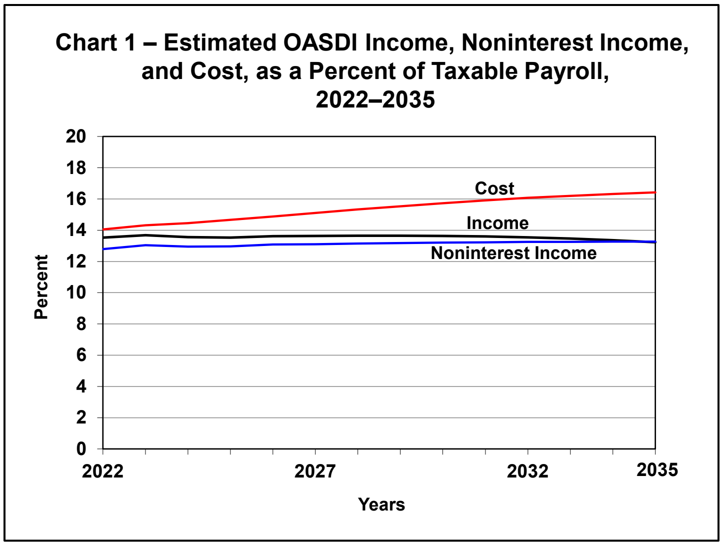
(4) An analysis of the sensitivity of the projections to changes in selected assumptions.

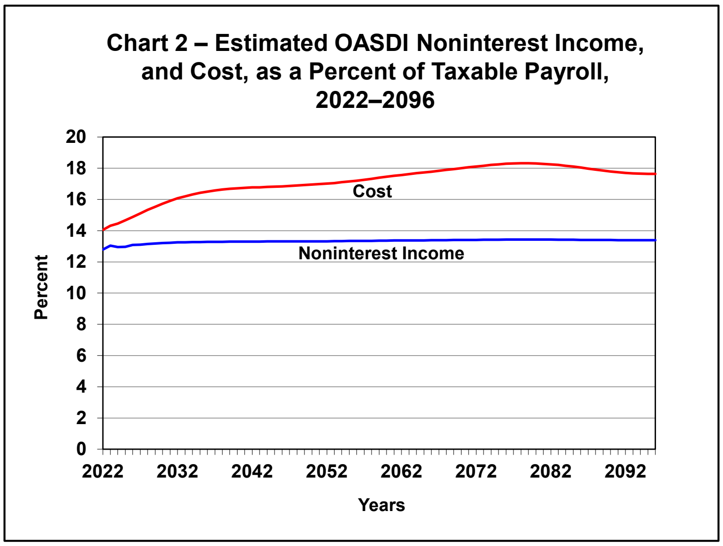
SUSTAINABLE SOLVENCY - Based on the estimates of income and cost presented in the Statements of Social Insurance, the OASDI program does not meet the criteria for sustainable solvency. To meet the criteria for sustainable solvency, the program must be able to pay all scheduled benefits in full on a timely basis and maintain reserves in the combined OASI and DI Trust Funds at all times within the 75-year projection period. In addition, the reserves in the combined OASI and DI Trust Funds must be stable or rising as a percentage of annual program cost at the end of the period.

CASH FLOW PROJECTIONS – OASDI noninterest income and cost are estimated for each year from 2022 through 2096. Charts 1 through 4 show annual cash flow projections for the OASDI program. However, income including interest is only estimated through 2035, the year that the reserves in the combined OASI and DI Trust Funds are projected to deplete. After the point of depletion, no interest earnings would be available. Moreover, because the program lacks the authority to borrow to continue paying benefits, benefit payments would be limited to the available tax income (noninterest income). Therefore, displaying annual income levels (including interest) beyond the point of combined OASI and DI Trust Fund depletion would be inappropriate unless the cost of scheduled benefits was replaced by the amount of benefits that would be payable.

Estimates are for the open-group population (i.e., all persons projected to participate in the OASDI program as covered workers or beneficiaries, or both during that period). Therefore, the estimates include payments from, and on behalf of, workers who will enter covered employment during the period as well as those already in covered employment at the beginning of that period. They also include the cost of scheduled benefits for such workers and their dependents during that period.

AMOUNTS AS A PERCENTAGE OF TAXABLE PAYROLL - Chart 1 shows estimated annual income, noninterest income, and cost through 2035 expressed as percentages of taxable payroll. Chart 2 is an extension of Chart 1, showing estimated annual noninterest income and cost through 2096 expressed as percentages of taxable payroll.





As presently constructed, the program receives most of its income from the 6.2 percent payroll tax that employees and employers each pay on taxable wages and salaries (for a combined payroll tax rate of 12.4 percent) and the 12.4 percent that is paid on taxable self-employment income. Prior to 2021, income including interest exceeded cost in every year since 1983. Beginning in 2021, cost exceeded income including interest. As Chart 1 shows, estimated cost continues to exceed estimated income excluding interest in years 2022 through 2035. As Chart 2 shows, estimated cost, expressed as a percentage of taxable payroll, increases through 2078 and then slightly declines through the end of the 75-year period. The estimated income at the end of the 75-year period is sufficient to cover 74 percent of the estimated cost.

The increase in estimated cost through 2078 occurs because of a variety of factors, including the ongoing retirement of the baby boom generation, the relatively small number of people born during the subsequent period of lower birth rates, and the projected increases in life expectancy, which increase the average number of years of receiving benefits relative to the average number of years of paying taxes. The decrease in estimated cost after 2078 occurs as the relatively smaller generations born during the period of reduced birth rates following the recession of 2007–2009 increasingly begin to retire.

Estimated annual cost is projected to exceed noninterest income in all years of the projection period. In any year, to meet all OASDI cost on a timely basis, the combined OASI and DI Trust Funds will need to redeem Treasury securities. This redemption differs from the situation of some prior years when the combined OASI and DI Trust Funds had been net lenders to the General Fund of the Treasury. The Government could finance this redemption by increasing its borrowing from the public, raising taxes (other than OASDI payroll taxes), and/or reducing expenditures (other than OASDI cost). Alternatively, the Government could make this redemption unnecessary by changing the law to increase OASDI taxes and/or reduce OASDI scheduled benefits as needed.

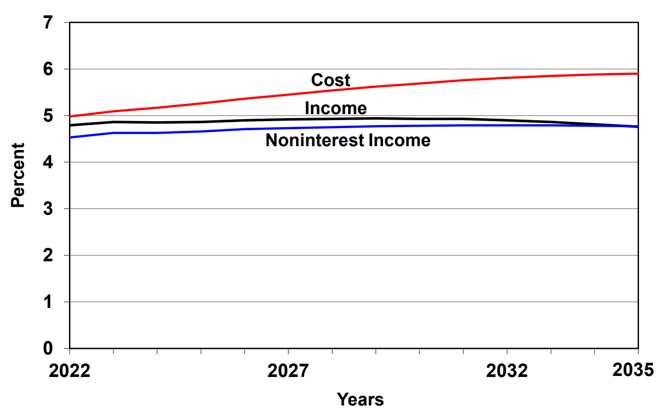
ACTUARIAL BALANCE - The Statements of Social Insurance show that the present value of the excess of income (excluding interest) over cost for the 75-year period is -\$23,301 billion. If augmented by the combined OASI and DI Trust Fund reserves at the start of the period (January 1, 2022), it is -\$20,449 billion. This excess does not equate to the actuarial balance in the 2022 Trustees Report of -3.42 percent of taxable payroll because the actuarial balance includes the cost of attaining a target combined OASI and DI Trust Fund level at the end of the period equal to total projected cost for the 76th year of the period.

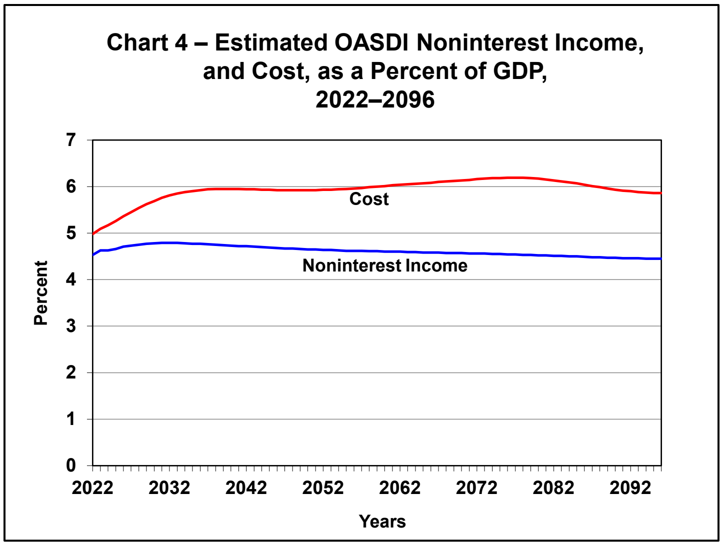
For the combined OASI and DI Trust Funds to remain solvent throughout the 75-year projection period, revenues would have to increase by an amount equivalent to an immediate and permanent payroll tax increase of 3.24 percentage points (from its current level of 12.40 percent to 15.64 percent). One interpretation of the actuarial balance is that its magnitude, 3.42 percent, should equal the necessary increase. However, the increase is different primarily because the necessary tax rate is the rate required to maintain solvency throughout the period that results in no reserves in the OASI and DI Trust Funds at the end of the period, whereas the actuarial balance incorporates an ending reserve in the OASI and DI Trust Funds equal to one year's cost. While such an increase in the payroll tax rate would cause some behavioral changes in earnings and ensuing changes in benefit levels, such changes are not included in this calculation because they are assumed to have roughly offsetting effects on OASDI actuarial status over the 75-year long-range period as a whole.

Alternatively, solvency could be achieved by reducing scheduled benefits by an amount equivalent to an immediate and permanent reduction of about 20 percent applied to all current and future beneficiaries, or about 24 percent if the reductions were applied only to newly entitled beneficiaries. Finally, some combination of both tax increases and benefit reductions could be adopted.

AMOUNTS AS A PERCENTAGE OF GROSS DOMESTIC PRODUCT - Chart 3 shows estimated annual income, noninterest income, and cost through 2035 expressed as percentages of GDP. Chart 4 is an extension of Chart 3, showing estimated annual noninterest income and cost through 2096 expressed as percentages of GDP. Analyzing these cash flows in terms of percentage of the estimated GDP, which represents the total value of goods and services produced in the United States, provides a measure of the cost of the OASDI program in relation to the size of the national economy that must finance it.

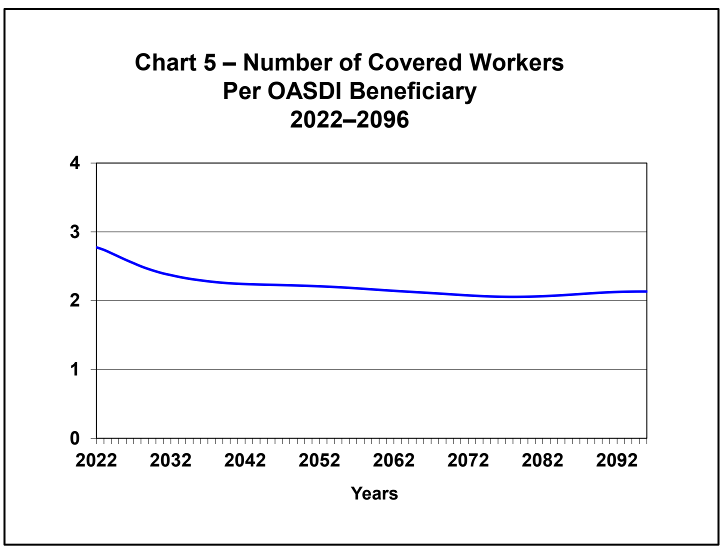
Chart 3 – Estimated OASDI Income, Noninterest Income, and Cost, as a Percent of GDP, 2022–2035





In calendar year 2021, OASDI cost was about $1,145 billion, which was about 5.0 percent of GDP. The cost of the program (based on current law) rises to a peak of 6.2 percent of GDP in 2077, then declines to 5.9 percent by 2096. The increase from 2022 to 2039 will occur as baby boomers continue to become eligible for OASDI benefits, lower birth rates result in fewer workers per beneficiary, and beneficiaries continue to live longer. The decrease near the end of the 75-year projection period occurs as the relatively smaller generations born during the period of reduced birth rates following the recession of 2007–2009 increasingly begin to retire.

Ratio of Workers to Beneficiaries - Chart 5 shows the estimated number of covered workers per OASDI beneficiary using the Trustees' intermediate assumptions. As defined by the Trustees, covered workers are persons having earnings creditable for OASDI purposes based on services for wages in covered employment and/or income from covered self-employment. The estimated number of workers per beneficiary declines from 2.8 in 2021 to 2.1 in 2096.



SENSITIVITY ANALYSIS

Projections of the future financial status of the OASDI program depend on many demographic and economic assumptions, including fertility, mortality, net immigration, average wages, inflation, and interest rates on Treasury securities. The income will depend on how these factors affect the size and composition of the working population and the level and distribution of wages and earnings. Similarly, the cost will depend on how these factors affect the size and composition of the beneficiary population and the general level of benefits. Because actual experience is likely to differ from the estimated or assumed values of these factors, we include this section to illustrate the sensitivity of the long-range projections to changes in assumptions by analyzing six key assumptions: total fertility rate, mortality, net immigration, real wage differential, Consumer Price Index (CPI), and real interest rate. The range of values chosen for the sensitivity analysis presents a reasonable range within which we expect future experience to fall, on average, over long time periods. We do not intend the range of values to represent any particular probability interval around the intermediate assumptions, nor are the endpoints of the range intended to represent the absolute best or worst scenario.

For this analysis, we use the intermediate assumptions in the 2022 Trustees Report as the reference point. Each selected assumption is varied individually. We note that due to the interactions between assumptions, changes in any single assumption may have additional effects on other assumptions. We calculate all present values as of January 1, 2022 and base them on estimates of income and cost during the 75-year projection period 2022–2096. In this section, for brevity, “income” means “noninterest income.”

We present one table and one chart for each assumption we analyzed. The table shows the present value of the estimated excess of OASDI income over cost based on each of three selected values of the assumption being analyzed. If the excess is negative, we refer to it as a shortfall. The middle values provided correspond to the intermediate assumption of the Trustees. The other two values correspond to the low-cost and high-cost alternative values for that individual assumption. The chart shows the present value of each annual net cash flow.

Sensitivity of program cost to changes in multiple assumptions is also useful. The 2022 Trustees Report presents high-cost and low-cost alternative assumption sets, which combine the variations shown individually in this report. It should be noted that due to interactions, the combined effect of two or more assumption changes may not be equal to the sum of the effects shown separately. The Trustees, in their annual report, also include estimates using a stochastic model developed by the Office of the Chief Actuary. These estimates provide an additional way of analyzing the uncertainty and variability in assumptions, income, and cost.

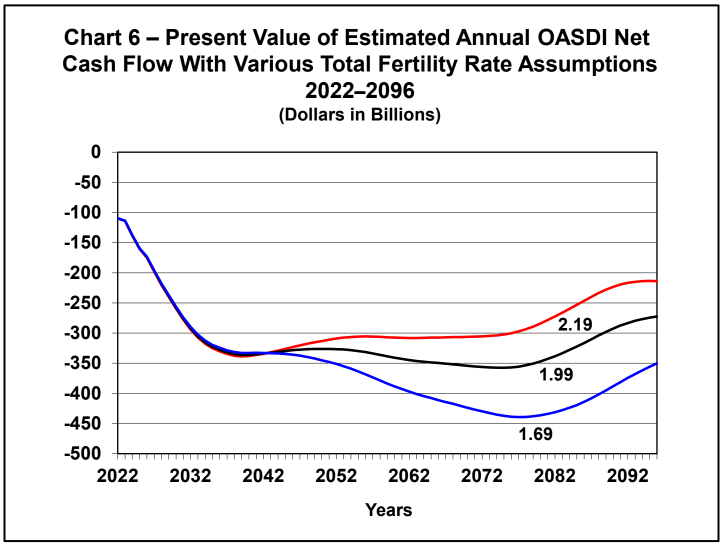
TOTAL FERTILITY RATE - Table 1 shows the present value of the estimated excess of OASDI income over cost for the 75-year period, for each of the three sets of assumptions about the total fertility rate. The average annual total fertility rates for the period 2032 through 2096 are 1.69, 1.99, and 2.19 children per woman, where 1.99 is the intermediate summary value for the 2022 Trustees Report. The total fertility rate under all three sets of total fertility rate assumptions changes gradually from its current low level and will reach the ultimate value of 1.70, 2.00, and 2.20, respectively in 2056.

Table 1 demonstrates that if the average annual total fertility rate were changed from 1.99 children per woman, consistent with the Trustees’ intermediate assumption, to 1.69, the shortfall for the period of estimated OASDI income relative to cost would increase to $26,566 billion from $23,301 billion; if the average annual total fertility rate changed to 2.19, the shortfall would decrease to $20,990 billion.

Table 1: Present Value of Estimated Excess of OASDI Income over Cost With Various Total Fertility Rate Assumptions Valuation Period: 2022–2096

Average Total Fertility Rate (for 2032 through 2096)	1.69	1.99	2.19
Present Value of Estimated Excess (Dollars in Billions)	$(26,566)	$(23,301)	$(20,990)

Using the same total fertility rates used for the estimates in Table 1, Chart 6 shows the present value of the estimated annual OASDI net cash flows.



The three patterns of the present values shown in Chart 6 are similar. Under all three sets of assumptions, the present values are negative in all years of the 75-year projection period. The net cash flow estimates corresponding to all three sets of fertility rate assumptions decrease rapidly into the 2030s and then begin to increase (become less negative) around 2040. The net cash flow estimates corresponding to the average total fertility rate of 1.69 increase in 2041, decrease in years 2042–2077, and then increase through 2096. The net cash flow estimates corresponding to the average total fertility rate of 1.99 increase in years 2040–2049, decrease in years 2050–2075, and then increase through 2096. The net cash flow estimates corresponding to the average total fertility rate of 2.19 mostly increase in years 2040–2095 before a slight decrease in 2096.

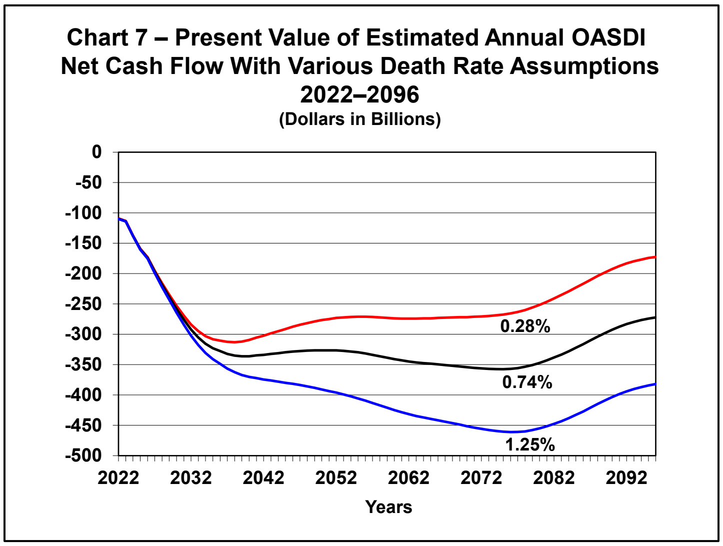
Mortality - Table 2 shows the present values of the estimated excess of OASDI income over cost for the 75-year period, using various assumptions about future reductions in death rates. We developed the analysis by varying the reduction assumed to occur in future death rates by age, sex, and cause of death. The reductions assumed for this period, summarized as average annual reductions in the age-sex-adjusted death rate from 2031 to 2096, are 0.28, 0.74, and 1.25 percent per year. The intermediate assumption in the 2022 Trustees Report is 0.74 percent. (The resulting cumulative decreases in the age-sex-adjusted death rate during the same period are 16, 38, and 56 percent, respectively.) The life expectancy at birth, on a unisex period life table basis, is projected to rise from 76.8 in 2021 to 81.0, 85.2, and 89.6 in 2096 for average annual reductions in the age-sex-adjusted death rate of 0.28, 0.74, and 1.25 percent, respectively.

Table 2 demonstrates that if the annual reduction in death rates were changed from 0.74 percent, the Trustees' intermediate assumption, to 0.28 percent, meaning that people die younger, the shortfall for the period of estimated OASDI income relative to cost would decrease to $18,880 billion from $23,301 billion; if the annual reduction were changed to 1.25 percent, meaning that people live longer, the shortfall would increase to $28,514 billion.

TABLE 2: PRESENT VALUE OF ESTIMATED EXCESS OF OASDI INCOME OVER COST WITH VARIOUS DEATH RATE ASSUMPTIONS VALUATION PERIOD: 2022–2096

Average Annual Reduction in Death Rates (from 2031 to 2096)	0.28 Percent	0.74 Percent	1.25 Percent
Present Value of Estimated Excess (Dollars in Billions)	$(18,880)	$(23,301)	$(28,514)

Using the same assumptions about future reductions in death rates used for the estimates in Table 2, Chart 7 shows the present value of the estimated annual OASDI net cash flows.



The three patterns of the present values shown in Chart 7 are similar. Under all three sets of assumptions, the net cash flow estimates are negative in all years of the 75-year projection period. The net cash flow estimates corresponding to all three sets of assumptions decrease rapidly into the 2030s. The net cash flow estimates corresponding to a 1.25 percent average annual reduction in the age-sex-adjusted death rate continue decreasing at a slower pace through 2076 before increasing (becoming less negative) through 2096. The net cash flow estimates corresponding to a 0.74 percent average annual reduction increase in years 2040–2049, decrease in years 2050–2075, and then increase through 2096. The net cash flow estimates corresponding to a 0.28 percent average annual reduction increase in years 2039–2055, briefly decrease in years 2056–2062, and then increase through 2096.

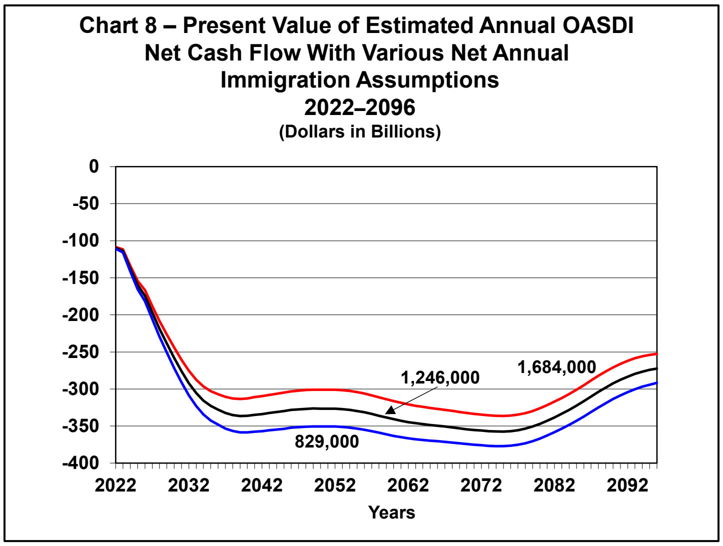
NET ANNUAL IMMIGRATION - Table 3 shows the present values of the estimated excess of OASDI income over cost for the 75-year period, using various assumptions about the magnitude of annual immigration. The immigration assumptions include the levels of lawful permanent resident (LPR) immigration, legal emigration, other-than-LPR immigration, and other-than-LPR emigration. Based on these levels, projected net annual immigration (LPR and other-than-LPR) will average 829,000 persons, 1,246,000 persons, and 1,684,000 persons for the period 2032 through 2096. The average value based on the intermediate assumptions in the 2022 Trustees Report is 1,246,000 persons.

Table 3 demonstrates that if the Trustees’ intermediate immigration assumptions were changed so that the average level for the period 2032 through 2096 decreased from 1,246,000 persons to 829,000 persons, the present value of the shortfall for the period of estimated OASDI income relative to cost would increase to $24,770 billion from $23,301 billion. If, instead, the immigration assumptions were changed so that net annual immigration would be expected to average 1,684,000 persons, the present value of the shortfall would decrease to $21,752 billion.

TABLE 3: PRESENT VALUE OF ESTIMATED EXCESS OF OASDI INCOME OVER COST WITH VARIOUS 75-YEAR AVERAGE NET ANNUAL IMMIGRATION ASSUMPTIONS VALUATION PERIOD: 2022–2096

Average Net Annual Immigration (for 2032 through 2096)	829,000 Persons	1,246,000 Persons	1,684,000 Persons
Present Value of Estimated Excess (Dollars in Billions)	$(24,770)	$(23,301)	$(21,752)

Using the same assumptions about net annual immigration used for the estimates in Table 3, Chart 8 shows the present value of the estimated annual OASDI net cash flows.



The three patterns of the present values shown in Chart 8 are similar. Under all three sets of assumptions, the net cash flow estimates are negative in all years of the 75-year projection period. The net cash flow estimates corresponding to all three sets of assumptions decrease rapidly into the 2030s and then begin to increase (become less negative) around 2040. Therefore, in terms of today's investment dollar, annual OASDI net cash flow, although still negative, begins to increase at that time. Under all three sets of assumptions, net cash flows have another period of mostly decreasing present values around years 2050–2075 before again increasing through 2096.

Immigration generally occurs at relatively young adult ages, so there is no significant effect on beneficiaries (and, therefore, on benefits) in the early years of the projection period, but the effect on the numbers of workers (and, therefore, on payroll tax income) is immediate. Therefore, even in the early years of the projection period, the present values, year by year, are generally higher (i.e., less negative in later years) for higher net annual immigration. However, benefits paid in a given year to earlier immigrant cohorts of the projection period eventually offset the increased payroll taxes for that year. Therefore, the present values based on the three assumptions about net annual immigration become more similar at the end of the projection period.

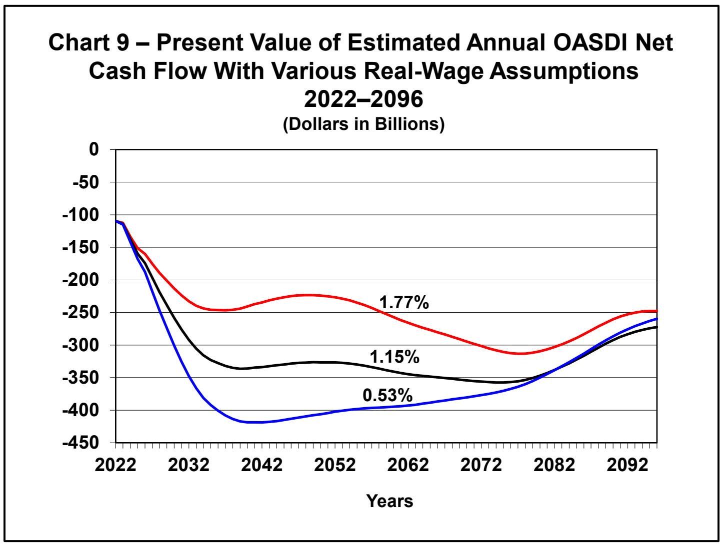
REAL WAGE DIFFERENTIAL - The annual real wage differential is the difference between the percentage increases in: (1) the average annual wage in OASDI-covered employment; and (2) the average annual CPI. The real wage differential assumption is expressed as the average of the annual real wage differential for the last 65 years of the 75-year projection period (for the period 2032 through 2096). Table 4 shows the present values of the estimated excess of OASDI income over cost for the 75-year period, using various assumptions about the real wage differential. These assumptions are that the average real wage differential will be 0.53, 1.15, and 1.77 percentage points. The intermediate assumption in the 2022 Trustees Report is 1.15 percentage points. In each case, the ultimate annual increase in the CPI is assumed to be 2.40 percent (as used in the intermediate assumptions), yielding average percentage increases in the average annual wage in covered employment of 2.93, 3.55, and 4.17 percent, respectively, in the last 65 years of the 75-year projection period.

Table 4 demonstrates that if the average real wage differential were changed from 1.15 percentage points, the Trustees' intermediate assumption, to 0.53 percentage point, the shortfall for the period of estimated OASDI income relative to cost would increase to $26,076 billion from $23,301 billion; if the average real wage differential were changed from 1.15 to 1.77 percentage points, the shortfall would decrease to $18,746 billion.

TABLE 4: PRESENT VALUE OF ESTIMATED EXCESS OF OASDI INCOME OVER COST WITH VARIOUS REAL WAGE ASSUMPTIONS VALUATION PERIOD: 2022–2096

Average Annual Increase in Wages, CPI; **Real Wage Differential** (for 2032 through 2096)	2.93%, 2.40%; **0.53%**	3.55%, 2.40%; **1.15%**	4.17%, 2.40%; **1.77%**
Present Value of Estimated Excess (Dollars in Billions)	$(26,076)	$(23,301)	$(18,746)

Using the same assumptions about the real wage differential used for the estimates in Table 4, Chart 9 shows the present value of the estimated annual OASDI net cash flows.



The net cash flow estimates corresponding to all three sets of assumptions are negative in all years of the 75-year projection period. The net cash flow estimates corresponding to all three sets of assumptions decrease rapidly into the 2030s and then begin to increase (i.e., become less negative) by 2043. Therefore, in terms of today's investment dollar, annual OASDI net cash flow, although still negative, begins to increase at that time. For the assumed real wage differential of 0.53 percentage point, the present values increase from 2043 through the remainder of the projection period. The net cash flow estimates corresponding to an assumed real wage differential of 1.15 percentage points increase in years 2040–2049, decrease in years 2050–2075, and then increase through 2096. The net cash flow estimates corresponding to an assumed real wage differential of 1.77 percentage points increase in years 2038–2049, decrease in years 2050–2077, and then increase through 2096.

Differences among the estimates of annual net cash flow based on the three assumptions about the real wage differential become apparent early in the projection period. Higher real wage differentials increase both wages and initial benefit levels. Because the effects on wages and, therefore, on payroll taxes are immediate, while the effects on benefits occur with a substantial lag, annual net cash flow is higher for higher assumed real wage differentials. In the early years, when the effects on benefits are quite small and the effects on wages are compounding, the patterns of the estimates of annual net cash flow based on the three assumptions diverge fairly rapidly. However, toward the end of the projection period, annual net cash flow becomes more similar for all assumed real wage differentials. This occurs because benefits would then be more fully realized at a time when the projected cost substantially exceeds noninterest income. These effects are depicted by the patterns in Chart 9 coming together at the end of the projection period.

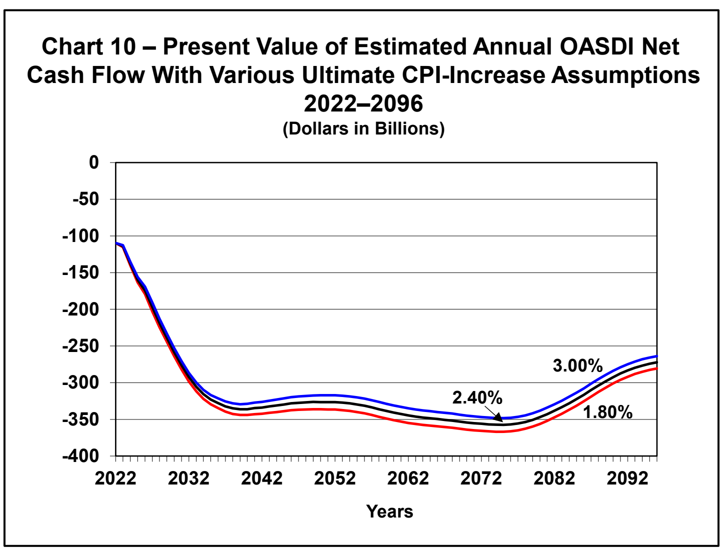
CONSUMER PRICE INDEX - Table 5 shows the present values of the estimated excess of OASDI income over cost for the 75-year period, using various assumptions about the rate of change in the CPI. These assumptions are that the ultimate annual increase in the CPI will be 1.80, 2.40, and 3.00 percent. All three ultimate assumptions are reached by year 2026. The intermediate assumption in the 2022 Trustees Report is 2.40 percent. In each case, the average real wage differential is assumed to be 1.15 percentage points (as used in the intermediate assumptions), yielding average percentage increases in average annual wages in covered employment of 2.95, 3.55, and 4.15 percent, respectively.

Table 5 demonstrates that if the ultimate annual increase in the CPI were changed from 2.40 percent, the Trustees' intermediate assumption, to 1.80 percent, the shortfall for the period of estimated OASDI income relative to cost would increase to $23,934 billion from $23,301 billion; if the ultimate annual increase in the CPI were changed to 3.00 percent, the shortfall would decrease to $22,696 billion. The seemingly counterintuitive result that higher CPI increases result in decreased shortfalls (and vice versa) is explained by the time lag between the effects of the CPI changes on taxable payroll and on benefit payments. The effect on taxable payroll due to a greater increase in average wages is experienced immediately, while the effect on benefits is experienced with a lag of about one year. For this reason, larger increases in the CPI cause earnings and income to increase sooner and, therefore, by more each year, than benefits and cost.

TABLE 5: PRESENT VALUE OF ESTIMATED EXCESS OF OASDI INCOME OVER COST WITH VARIOUS CPI-INCREASE ASSUMPTIONS VALUATION PERIOD: 2022–2096

Average Annual Increase in Wages, **CPI**; Real Wage Differential (for 2032 through 2096)	2.95%, **1.80%**; 1.15%	3.55%, **2.40%**; 1.15%	4.15%, **3.00%**; 1.15%
Present Value of Estimated Excess (Dollars in Billions)	$(23,934)	$(23,301)	$(22,696)

Using the same assumptions about the annual increase in the CPI used for the estimates in Table 5, Chart 10 shows the present value of the estimated annual OASDI net cash flows.



The net cash flow estimates corresponding to all three sets of assumptions are negative in all years of the 75-year projection period. The net cash flow estimates corresponding to all three CPI-increase assumptions decrease rapidly into the 2030s and then begin to increase (become less negative) in 2040. The net cash flow estimates corresponding to an ultimate 1.8 percent CPI increase in years 2040–2049, decrease in years 2050–2075, and then increase through 2096. The net cash flow estimates corresponding to an ultimate 2.4 percent CPI increase in years 2040–2049, decrease in years 2050–2075, and then increase through 2096. The net cash flow estimates corresponding to an ultimate 3.0 percent CPI increase in years 2040–2052, decrease in years 2053–2075, and then increase through 2096.

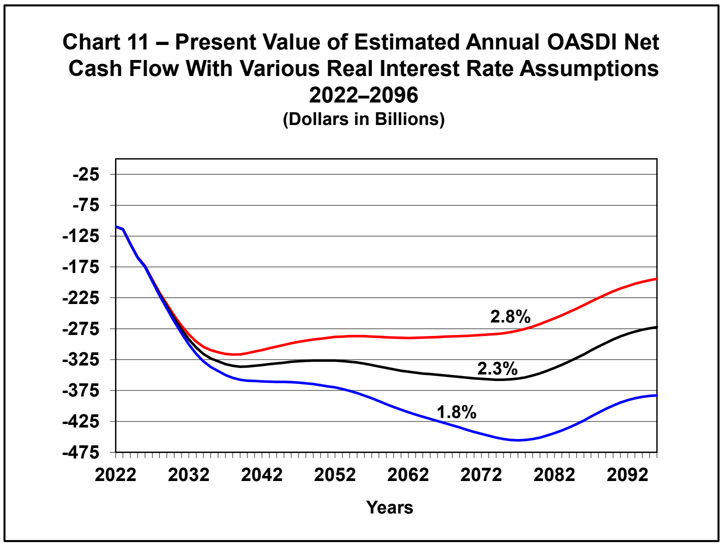
REAL INTEREST RATE - Table 6 shows the present values of the estimated excess of OASDI income over cost for the 75-year period, using various assumptions about the annual real interest rate for special-issue Treasury obligations sold to the OASI and DI Trust Funds. These assumptions are that the ultimate annual real interest rate will be 1.8, 2.3, and 2.8 percent. All three ultimate rates are reached by 2032. The intermediate assumption in the 2022 Trustees Report is 2.3 percent. Changes in real interest rates change the present value of cash flows, even though the cash flows do not change.

Table 6 demonstrates that if the ultimate real interest rate were changed from 2.3 percent, the Trustees' intermediate assumption, to 1.8 percent, the shortfall for the period of estimated OASDI income relative to cost, when measured in present-value terms would increase to $27,709 billion from $23,301 billion; if the ultimate annual real interest rate were changed to 2.8 percent, the present-value shortfall would decrease to $19,799 billion.

TABLE 6: PRESENT VALUE OF ESTIMATED EXCESS OF OASDI INCOME OVER COST WITH VARIOUS REAL INTEREST ASSUMPTIONS VALUATION PERIOD: 2022–2096

Ultimate Annual Real Interest Rate	1.8 Percent	2.3 Percent	2.8 Percent
Present Value of Estimated Excess (Dollars in Billions)	$(27,709)	$(23,301)	$(19,799)

Using the same assumptions about the annual real interest rate used for the estimates in Table 6, Chart 11 shows the present value of the estimated annual OASDI net cash flows.



The three patterns of the present values shown in Chart 11 are similar. The net cash flow estimates corresponding to all three sets of assumptions are negative in all years of the 75-year projection period and decrease rapidly into the 2030s. The net cash flow estimates corresponding to an ultimate real interest rate of 1.8 decrease through 2077, before increasing (becoming less negative) through 2096. The net cash flow estimates corresponding to an ultimate real interest rate of 2.3 increase in years 2040–2049, decrease in years 2050–2075, and then increase through 2096. The net cash flow estimates corresponding to an ultimate real interest rate of 2.8 mostly increase in years 2039–2096.

Report of Independent Certified Public Accountants

Office of the Inspector General
SOCIAL SECURITY ADMINISTRATION

November 10, 2022

The Honorable Kilolo Kijakazi
Acting Commissioner of Social Security

The Office of the Inspector General (OIG) contracted with the independent certified public accounting firm Grant Thornton LLP (Grant Thornton) to audit: (1) the Social Security Administration's (SSA) consolidated financial statements as of September 30, 2022 and 2021 and the related notes to the consolidated financial statements; (2) the sustainability financial statements, including the statements of social insurance as of January 1, 2022, 2021, 2020, 2019 and 2018, and the related notes to the sustainability financial statements; and (3) the statements of changes in social insurance amounts for the periods January 1, 2021 to January 1, 2022 and January 1, 2020 to January 1, 2021. The OIG also contracted with Grant Thornton to provide an opinion on internal control over financial reporting and report on compliance with laws, regulations, contracts, grant agreements, and other matters and to report on whether SSA's financial management systems did not comply substantially with the requirements of the *Federal Financial Management Improvement Act of 1996 (FFMIA)*. The contract requires that the audit be conducted in accordance with auditing standards generally accepted in the United States; *Government Auditing Standards* issued by the Comptroller General of the United States; and Office of Management and Budget Bulletin No. 22-01, *Audit Requirements for Federal Financial Statements*. Those Standards and Bulletin require that Grant Thornton plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement and whether effective internal control over financial reporting was maintained in all material respects.

This letter transmits Grant Thornton's *Report of Independent Certified Public Accountants*. Grant Thornton found the following.

- The consolidated and sustainability financial statements are presented fairly, in all material respects, in accordance with accounting principles generally accepted in the United States.

- SSA management maintained, in all material respects, effective internal controls over financial reporting as of September 30, 2022, based on criteria established under the *Federal Managers' Financial Integrity Act and in Standards for Internal Control in the Federal Government*, issued by the Comptroller General of the United States. However, Grant Thornton identified three significant deficiencies in internal controls: (1) Certain Financial Information Systems Controls, (2) Information Systems Risk Management, and (3) Accounts Receivable with the Public (Benefit Overpayments).

- No instances in which SSA's financial management system did not comply substantially with the requirements of FFMIA.

- No reportable instances of noncompliance with provisions of applicable laws, regulations, contracts, grant agreements, and other matters tested.

Office of the Inspector General Evaluation of Grant Thornton Audit Performance

To fulfill our responsibilities under the *Chief Financial Officers Act of 1990* and related legislation for ensuring the quality of the audit work performed, we monitored Grant Thornton's audit of SSA's consolidated and sustainability financial statements by:

- evaluating the auditors' and specialists' independence, objectivity, and qualifications;
- reviewing Grant Thornton's audit approach and planning;
- monitoring the audit's progress at key points;
- examining Grant Thornton's documentation related to planning the audit, assessing SSA's internal control, and substantive testing;
- reviewing Grant Thornton's audit report to ensure compliance with *Government Auditing Standards* and Office of Management and Budget Bulletin No. 22-01;
- coordinating the issuance of the audit report; and
- performing other procedures we deemed necessary.

Grant Thornton is responsible for the attached auditors' report, dated November 10, 2022, and the opinions and conclusions expressed therein. The OIG is responsible for technical and administrative oversight regarding Grant Thornton's performance under the contract terms. Our review, as differentiated from an audit in accordance with applicable auditing standards, was not intended to enable us to express, and, accordingly, we do not express, an opinion on SSA's consolidated financial statements; sustainability financial statements; internal control over financial reporting; or conclusions on whether SSA's financial management systems complied substantially with FFMIA; or compliance with provisions of certain laws, regulations, contracts and grant agreements. However, our monitoring review, as qualified above, disclosed no instances where Grant Thornton did not comply, in all material respects, with applicable auditing standards.

Consistent with our responsibility under the *Inspector General Act*, we are providing copies of this report to congressional committees with oversight and appropriation responsibilities over SSA. In addition, we will post a copy of the report on our public website.

Gail S. Ennis

Gail S. Ennis
Inspector General

GrantThornton

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REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

Kilolo Kijakazi, Acting Commissioner
Social Security Administration

Gail S. Ennis, Inspector General
Social Security Administration

In our audits of the Social Security Administration (SSA), we found:

- The consolidated balance sheets of SSA as of September 30, 2022 and 2021, the related consolidated statements of net cost and changes in net position, and the combined statements of budgetary resources for the years then ended, are presented fairly, in all material respects, in accordance with accounting principles generally accepted in the United States of America;
- The sustainability financial statements which comprise the statements of social insurance as of January 1, 2022, 2021, 2020, 2019 and 2018 and the statements of changes in social insurance amounts for the period January 1, 2021 to January 1, 2022 and January 1, 2020 to January 1, 2021 are presented fairly, in all material respects in accordance with accounting principles generally accepted in the United States of America;
- Although internal controls could be improved, SSA management maintained, in all material respects, effective internal control over financial reporting as of September 30, 2022; and
- No reportable instances of noncompliance for fiscal year 2022, with provisions of applicable laws, regulations, contracts, and grant agreements we tested.

The following sections discuss in more detail (1) our report on the financial statements and internal control over financial reporting, which includes an emphasis of matter paragraph related to the sustainability financial statements, and required supplementary information (RSI) and other information included with the financial statements, (2) our report on compliance with laws, regulations, contracts, and grant agreements, and (3) the Agency's response to findings.

Report on the financial statements and internal control over financial reporting

Opinions on the financial statements
We have audited the consolidated financial statements of the Social Security Administration (the "Agency"), which comprise the consolidated financial statements and the sustainability financial statements. The consolidated financial statements comprise the consolidated balance sheets as of September 30, 2022 and 2021, and the related consolidated statements of net cost, changes in net position, and the combined statements of budgetary resources for the years then ended, and the related notes to the financial statements.

The sustainability financial statements comprise the statements of social insurance as of January 1, 2022, 2021, 2020, 2019 and 2018, the statements of changes in social insurance amounts for the periods January 1, 2022 to January 1, 2021 and January 1, 2020 to January 1, 2021, and the related notes to the sustainability financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Agency as of September 30, 2022 and 2021, and its net cost, changes in net position, and budgetary resources for the years then ended, in accordance with accounting principles generally accepted in the United States of America.

Also, in our opinion, the accompanying sustainability financial statements present fairly, in all material respects the Agency's social insurance information as of January 1, 2022, 2021, 2020, 2019, and 2018 and its changes in social insurance amounts for the periods January 1, 2022 to January 1, 2021 and January 1, 2020 to January 1, 2021, in accordance with accounting principles generally accepted in the United States of America.

Opinion on internal control over financial reporting
We also have audited the internal control over financial reporting of the Agency as of September 30, 2022, based on criteria established under 31 U.S.C. 3512 (c), (d) (commonly known as the Federal Managers' Financial Integrity Act or "FMFIA") and in *Standards for Internal Control in the Federal Government*, issued by the Comptroller General of the United States.

In our opinion, although certain internal controls could be improved, the Agency maintained, in all material respects, effective internal control over financial reporting as of September 30, 2022, based on criteria established under FMFIA and in *Standards for Internal Control in the Federal Government*, issued by the Comptroller General of the United States.

As discussed in more detail, our 2022 audit identified deficiencies in the Agency's controls over Certain Financial Information Systems Controls, Information Systems Risk Management and Accounts Receivable with the Public (Benefit Overpayments), described in the accompanying Appendix *Significant Deficiencies in Internal Control Over Financial Reporting*, that collectively represent the significant deficiencies in the Agency's internal control over financial reporting. We considered these significant deficiencies in determining the nature, timing, and extent of our audit procedures on the Agency's 2022 financial statements. Although the significant deficiencies in internal control did not affect our opinions on the Agency's 2022 financial statements, misstatements may occur in unaudited financial information reported internally and externally by the Agency because of these significant deficiencies.

In addition to the significant deficiencies in internal control over Certain Financial Information Systems Controls, Information Systems Risk Management and Accounts Receivable with the Public (Benefit Overpayments), we also identified deficiencies in the Agency's internal control over financial reporting that we do not consider to be material weaknesses or significant deficiencies. Nonetheless, these deficiencies warrant management's attention. We have communicated these matters to management and, where appropriate, will report on them separately.

Basis for opinions

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (US GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards)*; and Office of Management and Budget ("OMB") Bulletin 22-01, *Audit Requirements for Federal Financial Statements*. Our responsibilities under those standards and OMB Bulletin 22-01 are further described in the Auditor's Responsibilities for the Audits of the Financial Statements and Internal Control Over Financial Reporting section of our report. We are required to be independent of the Agency and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Emphasis of matter

As discussed in Note 17 to the financial statements, the sustainability financial statements are based on management's assumptions. These sustainability financial statements present the actuarial present value of the Agency's estimated future income to be received and future expenditures to be paid using a projection period sufficient to illustrate long-term sustainability. The sustainability financial statements are intended to aid users in assessing whether future resources will likely be sufficient to sustain public services and to meet obligations as they come due. The statements of social insurance and changes in social insurance amounts are based on income and benefit formulas in current law and assume that scheduled benefits will continue after any related trust funds are exhausted. The sustainability financial statements are not forecasts or predictions. The sustainability financial statements are not intended to imply that current policy or law is sustainable. In preparing the sustainability financial statements, management considers and selects assumptions and data that it believes provide a reasonable basis to illustrate whether current policy or law is sustainable. Assumptions underlying such sustainability information do not consider changes in policy or all potential future events that could affect future income, future expenditures, and sustainability, for example, implementation of policy changes to avoid trust fund exhaustion. Because of the large number of factors that affect the sustainability financial statements and the fact that future events and circumstances cannot be estimated with certainty, even if current policy is continued, there will be differences between the estimates in the sustainability financial statements and the actual results, and those differences may be material. Our opinion is not modified with respect to this matter.

Responsibilities of management for the financial statements and internal control over financial reporting

Management is responsible for the preparation and fair presentation of the consolidated financial statements and sustainability financial statements in accordance with accounting principles generally accepted in the United States of America and for the design, implementation, and maintenance of effective internal control over financial reporting relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Management is also responsible for assessing the effectiveness of internal control over financial reporting based on the criteria established under FMFIA and its assessment about the effectiveness of internal control over financial reporting as of September 30, 2022, included in the accompanying Acting Commissioner's Assurance Statement.

Auditor's responsibilities for the audit of the financial statements and internal control over financial reporting

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements and sustainability financial statements as a whole are free from material misstatement, whether due to fraud or error, and about whether effective internal control over financial reporting was maintained in all material respects, and to issue an auditor's report that includes our opinions.

Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with US GAAS, *Government Auditing Standards,* and OMB 22-01 will always detect a material misstatement or a material weakness when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements or sustainability financial statements.

In performing an audit of financial statements and an audit of internal control over financial reporting in accordance with US GAAS, Government Auditing Standards, and OMB 22-01, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated financial statements and sustainability financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements and sustainability financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances.
- Obtain an understanding of internal control over financial reporting relevant to the audit of internal control over financial reporting, assess the risks that a material weakness exists, and test and evaluate the design and operating effectiveness of internal control over financial reporting based on the assessed risk.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements and sustainability financial statements.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Definition and inherent limitations of internal control over financial reporting
An entity's internal control over financial reporting is a process effected by those charged with governance, management, and other personnel, designed to provide reasonable assurance regarding the preparation of reliable financial statements in accordance with accounting principles generally accepted in the United States of America. An entity's internal control over financial reporting provides reasonable assurance that (1) transactions are properly recorded, processed, and summarized to permit the preparation of financial statements in accordance with accounting principles generally accepted in the United States of America, and assets are safeguarded against loss from unauthorized acquisition, use, or disposition, and (2) transactions are executed in accordance with provisions of applicable laws, including those governing the use of budget authority, regulations, contracts, and grant agreements, noncompliance with which could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent, or detect and correct, misstatements due to fraud or error. Also, projections of any assessment of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Agency's financial statements will not be prevented, or detected and corrected, on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Required supplementary information
Accounting principles generally accepted in the United States of America require that the information in Management's Discussion and Analysis from pages 5 to 36 and the combining schedule of budgetary resources, and the required supplementary social insurance information from pages 90 to 102 be presented to supplement the consolidated financial statements and sustainability financial statements. Such information is the responsibility of management and, although not a required part of the consolidated financial statements and sustainability financial statements, is required by the Federal Accounting Standards Advisory Board and OMB Circular A-136, *Financial Reporting Requirements*, which consider it to be an essential part of financial reporting for placing the consolidated financial statements and sustainability financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with US GAAS. These limited procedures consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the consolidated financial statements and sustainability financial statements, and other knowledge we obtained during our audit of the consolidated financial statements and sustainability financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Grant Thornton

Other information

Management is responsible for the other information included in the annual report. The other information comprises the Acting Commissioner's Message on page 1 and the other information on pages 2 through 4, 37 through 42, 86 through 89, and 120 through 178, but does not include the consolidated financial statements, sustainability financial statements and our auditor's report thereon. Our opinions on the consolidated financial statements and sustainability financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the consolidated financial statements and sustainability financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the consolidated financial statements and sustainability financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Report on compliance with laws, regulations, contracts, and grant agreements and other matters

As part of obtaining reasonable assurance about whether the Agency's financial statements are free from material misstatement, we performed tests of its compliance with selected provisions of applicable laws, regulations, contracts, and grant agreements consistent with the auditor's responsibility discussed below, in accordance with *Government Auditing Standards*.

Results of our tests of compliance

The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*. However, the objective of our tests was not to provide an opinion on compliance with laws, regulations, contracts, and grant agreements applicable to the Agency. Accordingly, we do not express such an opinion.

Under the Federal Financial Management Improvement Act ("FFMIA"), we are required to report whether the Agency's financial management systems substantially comply with FFMIA Section 803(a) requirements. To meet this requirement, we performed tests of compliance with the federal financial management systems requirements, applicable federal accounting standards, and the *United States Standard General Ledger* ("USSGL") at the transaction level. However, providing an opinion on compliance with FFMIA was not an objective of our audit, and accordingly we do not express such an opinion. The results of our tests of FFMIA Section 803(a) requirements disclosed no instances of substantial noncompliance that are required to be reported under FFMIA.

Basis for results of our tests of compliance

We performed our tests of compliance in accordance with auditing standards generally accepted in the United States of America; *Government Auditing Standards*; and OMB Bulletin No. 22-01.

Responsibilities of management for compliance

Management is responsible for complying with laws, regulations, contracts, and grant agreements applicable to the Agency.

Auditor's responsibilities for tests of compliance

Our responsibility is to test compliance with selected provisions of applicable laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements, and to perform certain other limited procedures. We did not test compliance with all laws, regulations, contracts, and grant agreements. Noncompliance may occur that is not detected by these tests.

Agency's response to findings

Government Auditing Standards requires the auditor to perform limited procedures on the Agency's response to the findings identified in our audit and described on page 119 of this Agency Financial Report. The Agency's response was not subjected to the other auditing procedures applied in the audit of the consolidated financial statements and sustainability financial statements, and accordingly, we express no opinion on the Agency's response.

Intended purpose of report on compliance

The purpose of this report is solely to describe the scope of our testing of compliance with selected provisions of applicable laws, regulations, contracts, and grant agreements, and the results of that testing, and not to provide an opinion on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering compliance. Accordingly, this report is not suitable for any other purpose.

Grant Thornton LLP

Baltimore, Maryland

November 10, 2022

APPENDIX – SIGNIFICANT DEFICIENCIES IN INTERNAL CONTROL OVER FINANCIAL REPORTING

Significant Deficiency in Internal Control over Certain Financial Information Systems Controls

Overview

Social Security Administration (SSA) management relies on information systems and technology (IT) to administer the Old-Age and Survivors Insurance (OASI) and Disability Insurance (DI) (collectively known as OASDI) and Supplemental Security Income (SSI) programs; to process and account for their expenditures; and for financial reporting.

Our internal control testing included IT general and application controls. Testing IT general controls encompassed the security management program, access controls (physical and logical), configuration and change management, segregation of duties, and service continuity/contingency planning. IT general controls provide the foundation for the integrity of systems including applications and the system software that comprise the general support systems for the major applications. General and application-level controls are critical to ensuring the accurate and complete processing of transactions and integrity of stored data. Application controls include application-specific general controls, input, processing of data, and output of data as well as interface, master file, and other user controls. These controls provide assurance over the completeness, accuracy, and validity of data. Our audit included testing of the Agency's mainframe, networks, databases, applications, and other supporting systems. Our audit was conducted for Headquarters as well as off-site locations.

The Federal Information Processing Standards 199, *Standards for Security Categorization of Federal Information and Information Systems*, and 200, *Minimum Security Requirements for Federal Information and Information Systems*, are mandatory security standards in the *Federal Information Security Modernization Act of 2014*. These standards, combined with National Institute of Standards and Technology (NIST) Special Publication 800-53, Revision 5, *Security and Privacy Controls for Federal Information Systems and Organizations*, define a framework for Federal agencies to develop, document, and implement an Agency-wide information security program. The information security program is required to provide security protections commensurate with the risk and magnitude of the harm that could result from the unauthorized access, use, disclosure, disruption, modification, or destruction of Agency information and information systems.

Deficiencies in Control Design and/or Operational Effectiveness

We noted deficiencies in access controls, network security controls, and configuration management that contributed to an aggregated significant deficiency in information system controls. While SSA continued strengthening controls over its information systems and IT, many of the control deficiencies from past audits persisted. SSA has developed several plans, strategies, and initiatives to address control deficiencies; however, these deficiencies continued to exist because of one, or a combination, of the following:

- SSA was in the process, but had not fully implemented, automated mechanisms for monitoring compliance with key control activities as well as within their security assessment and authorization processes;
- SSA had not remediated control deficiencies noted in prior audits; and
- the design of enhanced or newly designed controls had not completely addressed risks identified and recommendations provided in past audits.

Access Controls

Access controls provide assurance that critical information systems' assets are physically safeguarded and logical access to sensitive applications, system utilities, and data are provided only when authorized and appropriate. Weaknesses in such controls can compromise the integrity of data and increase the risk that such data may be inappropriately accessed, modified, and/or disclosed by unauthorized persons, which may affect the accuracy of the financial statements. Our testing identified weaknesses related to logical access controls at disability determination services (DDS), including logical access policy and procedures and segregation of duties issues. We also noted physical access control weaknesses related to physical access reviews/recertification. Our testing at SSA Headquarters identified control weaknesses related to the identification and review of logical access for privileged users and removal of mainframe profiles with access to financial datasets. At Headquarters, SSA implemented a secondary user identification process to give programmers access to production data through a monitored, time-limited process. During testing, we determined this control was not operating effectively, as SSA was not reviewing and approving the access timely. Finally, we identified control weaknesses related to the timely removal of logical access for separated SSA personnel.

Network Security Controls

Critical components of effective network security controls include, but are not limited to, configuration management, limiting access based on need-to-know/least privileged, and logging and monitoring sensitive activities. Related processes and controls must be designed to prevent or detect such weaknesses as misconfigurations and vulnerabilities to combat internal and external cyber-threats, exploitations, and unauthorized access. We identified network security and inventory deficiencies, many of which persisted from prior audits.

Configuration Management

Configuration management involves the identification and management of security features for hardware, software, and firmware components of an information system at a given point while controlling changes to that configuration as part of the system's life cycle. A disciplined process is required so configurations align with security standards and to ensure no unauthorized changes are implemented to configuration settings. We noted SSA needed to improve its controls over (1) hardening security configuration baselines (that is, providing prescriptive guidance on deploying and operating IT securely); (2) determining adherence to these baselines and guides through periodic monitoring; and (3) assessing, remediating, and/or justifying, and approving deviations (if applicable).

While these findings did not have a material impact on the financial statements, a lack of appropriately designed or implemented internal controls for information systems and technology increases the risk of unreliable data and misstatements whether due to fraud or error.

Recommendations

To mitigate the risks of the issues noted in the significant deficiency, management should consider the following:

1. Analyze the audit findings to identify root causes and trends, assess risk of control weaknesses, and re-evaluate priorities for remediation. SSA should develop and/or review its risk-based approach and develop a roadmap of corrective actions. SSA should set attainable milestones for corrective actions and remediate these deficiencies timely.
2. Strengthen SSA's internal control system for access controls, network security, and configuration management to improve its effectiveness in identifying, documenting, and

linking these controls to business processing controls that support financial reporting; assessing the design and effectiveness of these controls; and remediating identified IT control gaps.

Grant Thornton Response

Grant Thornton reviewed the additional context provided in management's response on page 119 of this Agency Financial Report. Management's response does not affect the assessment of the significant deficiency.

Significant Deficiency in Information Systems Risk Management

Overview

A dynamic, flexible, and robust information system and technology risk management program is essential to managing security and privacy risk in SSA's diverse IT environment. As threats evolve and become more sophisticated, complex, and numerous, appropriate risk management is required to build security into new systems, mitigate existing and emerging threats, and ensure essential mission support services are available. Further, IT risk management is needed to protect the confidentiality, integrity, and availability of SSA's financial and program information.

SSA must implement a risk management program that provides reasonable assurance that risks are identified and assessed and controls are appropriately designed and operating effectively across the Agency's information systems and locations. Through the Agency's security management program, SSA's risk management framework must include a continuous cycle of activity for developing and assessing the discipline and structure of its control environment, assessing risk, developing and implementing effective security procedures, communicating, and monitoring the effectiveness of those procedures.

IT risk management must also be integrated, deployed, and communicated throughout the entity, divisions, operating units, and functions. SSA executive oversight, management, and personnel are responsible for information security and privacy. Office of Management and Budget (OMB) Circular Number A-123, *Management's Responsibility for Enterprise Risk Management and Internal Control*, states:

> *Risk management is a series of coordinated activities to direct and control challenges or threats to achieving an organization's goals and objectives. ERM is an effective Agency-wide approach to addressing the full spectrum of the organization's external and internal risks by understanding the combined impact of risks as an interrelated portfolio, rather than addressing risks only within silos….*

Deficiencies in Control Design and/or Operational Effectiveness

We noted improvement in SSA's communication of IT risks and control requirements across its offices and its commitment to integrity and oversight of internal controls. For example, SSA implemented a security review board to assess control deficiencies and prioritize remediation, implemented a compliance dashboard, deployed Information System Security Officers (ISSO) strategically throughout its organization, and implemented procedures for performing oversight and monitoring of some DDS control requirements. However, we continue to identify recurring issues regarding processes, people, and technology in place to support SSA's IT risk management function that persist from prior audits.

- Processes – We noted SSA's processes lacked the following:
  - Repeatable and standardized risk management practices that were consistently applied and implemented across the organization at the entity, divisions, operating units and functions. For example, there were control weaknesses related to regional office security assessment and authorization processes; performance of risk assessments; implementation of NIST SP 800-53, revision 5, requirements; and issuance and monitoring of plans of action and milestones (POA&M). Furthermore, as part of our Headquarters testing, we cited control deficiencies related to the information security monitoring and enforcement for contractor systems, control weaknesses in the vulnerability management program, completeness and accuracy of information system inventories and system boundaries, common control inheritance considerations, a lack of completed requirements in security assessment and authorization packages, and a lack of completing an organization-wide cyber-security risk assessment or considering the results of this assessment and system level risk assessments in the categorization and selection of controls to manage this risk at the system and organization levels.
  - A clear and concise cyber-risk dashboard or tools to monitor risk, risk response types, risk dependencies to support informed risk response.
- People – Per the *Standards for Internal Control in the Federal Government* OV1.06, "People are what make internal control work. Management is responsible for an effective internal control system. As part of this responsibility, management sets the entity's objectives, implements controls, and evaluates the internal control system. However, personnel throughout an entity play important roles in implementing and operating an effective internal control system." SSA's Information System Security Officers (ISSOs) were deployed to the regional offices in Fiscal Year 2021. However, in Fiscal Year 2022, roles and responsibilities had not yet been developed for the ISSOs to include consideration of risks identified in regional office security assessments of field office and DDS sites in SSA's overarching Risk Management Strategies and risk response decisions.
- Technology – We noted SSA did not consistently and/or effectively deploy technology to manage its IT risk management function. SSA has made progress in this area but was still implementing and/or configuring software in many instances. For example, we continued to note issues with information system hardware and software inventory management, automation and tools for managing security configurations, and comprehensive tools to evaluate and communicate risks. Further, SSA had not yet fully implemented a comprehensive Network Access Control (NAC) technology solution.

These findings did not have a material impact on the financial statements; however, they could have such negative effects as inaccurate security categorization of systems and applications; ineffective identification, implementation, and documentation of required controls; inappropriate testing and monitoring of those controls; approving authorization to operate packages for the system without an appropriate understanding of risks; and/or not authorizing systems that are operating in production.

Recommendations

To mitigate the risks of the issues noted in the significant deficiency, management should consider the following:

1. Implementing and revising, as needed, the existing information system risk management framework(s) and strategy, using NIST 800-37 Rev. 2, *Risk Management Framework for Information Systems and Organizations: A System Life Cycle Approach for Security and Privacy* to consistently apply risk management practices Agency-wide. In addition, develop and implement a consistent approach to risk management within its security architecture and continue efforts to revise system boundaries and control inheritance as part of the Agency's effort to transition to ongoing authorization of its information systems.
2. Continue efforts to integrate deployed information security resources at various levels within the organization to implement and monitor SSA's revised risk management practices and provide the appropriate level of recurring training to individuals with internal control and information security responsibilities.
3. Review its current governance, risk, and compliance tools and software and consider additional tools and automation within its risk management practices and security controls.

Grant Thornton Response

Grant Thornton reviewed the additional context provided in management's response on page 119 of this Agency Financial Report. Management's response does not affect the assessment of the significant deficiency.

Significant Deficiency in Internal Control over Accounts Receivable with the Public (Benefit Overpayments)

Overview

A benefit overpayment exists when beneficiaries receive payments beyond their entitled amount. When SSA detects a benefit overpayment, it records an accounts receivable with the public to reflect the amount due SSA from the beneficiary. Because of the nature of the benefit-payment programs, SSA has extensive operations geographically dispersed nationwide. Overpayment detection, calculation, and documentation occur in various places throughout SSA, including approximately 1,200 field offices, 8 processing centers, and various functional areas within SSA's central office. Therefore, SSA has specific policies, procedures, and internal controls in place to consistently detect, calculate, and document overpayments and the related accounts receivable balances. Since the benefit overpayment process can be complex for some cases and relies on manual input, SSA's adherence to its internal controls is critical to accurately recording, documenting, and tracking overpayment balances. Management also relies on its IT infrastructure, interfaces, and controls to record and prevent erroneous payments.

Reconciliation of the Supplemental Security Income Accounts Receivable Ledger

OMB Circular A-123, Appendix D, *Compliance with Federal Financial Management Improvement Act* (OMB Circular A-123), requires that the United States Government Standard General Ledger be applied at the transaction level. For its OASDI and SSI programs, SSA tracks individual debtor overpayment transactions and accounts receivable balances in subsidiary ledger systems and adjusts the general ledger according to the balances reported from the subsidiary ledgers. As in prior years, our current-year testing revealed the detail-level beneficiary information in the SSI accounts receivable subsidiary ledger did not agree with the summary-level reports from the SSI subsidiary ledger.

SSA relies on these summary-level reports to update the general ledger; therefore, the SSI accounts receivable program balances reported in the general ledger and subsequently the financial statements, differ from the supporting detail-level beneficiary data in the SSI subsidiary ledger system.

System limitations prevent SSA from reconciling the SSI differences between the detail and summary-level information in the subsidiary ledger. This could lead to misstatements in the financial statements; however, the unreconciled differences are immaterial to the financial statements and the accounts receivable with the public line items.

Deficiencies in Benefit Overpayment Documentation and Calculations

We noted that prior audits identified significant deficiencies in internal controls related to SSA adhering to *Program Operations Manual System* criteria regarding maintaining sufficient evidence to support benefit overpayment balances or sufficient evidence to support approval of waived overpayments. The *Program Operations Manual System* provides important policies, procedures, and internal controls over processing and documenting overpayments. Based on evidence obtained during our business process walkthroughs, we determined, in Fiscal Year 2018, SSA had developed updated training for field and regional office personnel on obtaining and maintaining documentation necessary to support claims for overpayments and approval of waived overpayments. However, our inquiries of management since these enhancements, including inquiries made during the current year, revealed that improvements in the operating effectiveness of this internal control process were not expected.

Professional standards dictate that, when an auditor deems a control to have been ineffective in the prior year, and management indicates there has been no improvement, the auditor need not test it in the current year. Therefore, we did not test a separate sample of new overpayments or waived overpayments identified in Fiscal Year 2022 for internal control effectiveness. In prior years, our testing disclosed that SSA did not follow established policy or maintain proper documentation to support overpayments and waivers. This can lead to difficulties in calculating and substantiating outstanding accounts receivable balances and potential misstatements to accounts receivable with the public balance presented on the financial statements.

To test the recorded amount of accounts receivable with the public, we selected a statistical sample of outstanding OASDI and SSI overpayment balances and noted overpayment calculation errors in 6 (30 percent) of 20 sampled OASDI items and 2 (7 percent) of 27 sampled SSI items. Although the statistically projected impact of these calculation errors was not material to the financial statements, these errors further evidence control weaknesses in the accounts receivable with the public processes, including inappropriate overpayment tracking that could lead to misstatements in the financial statements.

Deficiencies in Overpayment Records and Tracking for Long-term Installment Payments

Beneficiaries can request to repay overpayment balances in monthly installments as withholdings from monthly benefit payments. Depending on the amount of the overpayment balance and the amount of each installment payment, repayment periods can extend beyond December 2049.

According to Statement of Federal Financial Accounting Standards (SFFAS) 1, *Accounting for Selected Assets and Liabilities*, a receivable should be recognized when a Federal entity establishes a claim to cash or other assets against other entities, either based on legal provisions, such as a payment due date, (for example, taxes not received by the date they are due), or goods or services provided. If the amount is unknown, a reasonable estimate should be made. Further, SFFAS 7, *Accounting for Revenue and Other Financing Sources and*

Concepts for Reconciling Budgetary and Financial Accounting states that accounts receivable should be recognized when a collecting entity establishes a specifically identifiable, legally enforceable claim to cash or other assets through its established assessment processes to the extent the amount is measurable.

We noted that SSA identified a system design process limitation concerning long-term withholding agreements that extend past December 2049 where the system cannot capture and track debt scheduled for collection beyond December 2049. Therefore, the accounts receivable balances related to these overpayments are understated in the amount of the installment payments expected to be collected beyond December 2049. The projected understatements are immaterial to the financial statements and the accounts receivable with the public balance. While the Agency is enhancing system capabilities to properly account for these receivables and updating policies to avoid longer-term repayment programs, failure to resolve the system-design process limitation will continue understating accounts receivable balances. In addition, the impact of this issue will continue growing as December 2049 approaches if other factors remain constant.

Recommendations

To mitigate the risks of the issues noted in the significant deficiency, management should consider the following:

Reconciliation of the SSI Accounts Receivable Ledger

1. Continue implementing and executing SSI reconciliation internal controls between subsidiary ledgers at the detail level and the general ledger through summary reports. Investigate and document reconciling differences on a periodic and timely manner.
2. Investigate potential system reporting enhancements to reduce unreconciled differences between summary- and detail-level data produced by subsidiary ledgers.

Deficiencies in Benefit Overpayment Documentation and Calculations

1. Continue exploring opportunities to improve overpayment accuracy and document retention through engaging field office and payment center employees in trainings related to common weaknesses and more complex overpayment cases.
2. Enhance overpayment processing management information to consider risk-based factors such as current overpayment balances, manual intervention required, and age.
3. Consider implementing new overpayment documentation tools to ensure overpayments are documented completely, accurately, and timely by field offices or processing centers within the appropriate systems of record.

Deficiencies in Overpayment Records and Tracking Long-term Installment Payments

1. Continue working toward updated debt management systems without the technical limitations over the length of time repayment installments can be recorded.
2. Continue pursuing changes in repayment policy to minimize future extended repayment plans.
3. Continue analyzing and tracking the impact of the December 2049 system-design process limitation on the financial statements.

SOCIAL SECURITY
The Commissioner

November 10, 2022

Grant Thornton LLP
111 S. Calvert Street, Suite 2320
Baltimore, MD 21202

Dear Sir or Madam:

We have reviewed the Report of Independent Certified Public Accountants concerning our fiscal year (FY) 2022 financial statements. We are pleased we received our 29th consecutive unmodified opinion on our financial statements, an unmodified opinion that our internal control over financial reporting was operating effectively, and we had no reportable instances of noncompliance with laws, regulations, contracts, and grant agreements, or other matters tested.

In this year's financial statement audit, you cited three significant deficiencies identified in prior years. The significant deficiencies concern internal control over certain financial information systems controls, information systems risk management, and internal control over accounts receivable with the public (benefit overpayments).

As noted in your report, we made progress in remediating elements of these significant deficiencies; however, we continue to face challenges such as the ever-changing cybersecurity landscape in which we operate. Your assessment of the significant deficiencies does not fully account for our improved performance in critical areas where cybersecurity was substantially strengthened. We remain committed to resolving the deficiencies identified by audits through risk-based corrective action plans to mitigate risks and strengthen our control environment. Many elements of our remediation plans will take time to implement.

We appreciate both your efforts and the efforts of the Office of the Inspector General. The independent audit process continues to provide us with valuable recommendations, and we remain committed to excellence in financial management.

If members of your staff have any questions, they may contact Christian Hellie, Associate Commissioner for the Office of Financial Policy and Operations, at 410-965-9511.

Sincerely,

Kilolo Kijakazi

Kilolo Kijakazi, Ph.D., M.S.W.
Acting Commissioner

SOCIAL SECURITY ADMINISTRATION BALTIMORE, MD 21235-0001

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